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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2024

OR

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

OR

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

Date of event requiring this shell company report . . . . . .

For the transition period from _____ to _____

Commission file number: 001-34238

THE9 LIMITED

(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

Cayman Islands
(Jurisdiction of incorporation or organization)

17 Floor, No. 130 Wu Song Road
Hong Kou District, Shanghai 200080
People's Republic of China
(Address of principal executive offices)

George Lai, Chief Financial Officer
Tel: +86-21-6108-6080
Email: georgelai@corp.the9.com
17 Floor, No. 130 Wu Song Road
Hong Kou District, Shanghai 200080
People's Republic of China

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

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
American Depositary Shares, each representing 300 Class A ordinary shares	NCTY	Nasdaq Capital Market
Class A ordinary shares, par value US$0.01 per share*		Nasdaq Capital Market*

* Not for trading, but only in connection with the listing on the Nasdaq Capital Market of American depositary shares.

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Securities registered or to be registered pursuant to Section 12(g) of the Act.
None
(Title of Class)

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

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2024, there were 3,739,074,993 ordinary shares, par value US$0.01 per share, issued and outstanding, being the sum of 3,675,467,659 Class A ordinary shares (excluding 52,194,807 Class A ordinary shares we reserved for issuance upon the exercise of options under our share incentive plan and for our treasury ADSs) and 63,607,334 Class B ordinary shares.

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

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

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

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

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

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

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

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

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INTRODUCTION

In this annual report, unless otherwise indicated, (1) the terms "we," "us," "our company," "our" and "**The9**" refer to The9 Limited, its subsidiaries, and, in the context of describing our operations and consolidated financial information, also referring to the consolidated variable interest entity, Shanghai The9 Information Technology Co., Ltd., or **Shanghai IT**, in which we do not have direct equity interests. We maintain contractual arrangements with the consolidated variable interest entity, as described under "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Arrangements with Variable Interest Entity," and are considered the primary beneficiary of the consolidated variable interest entity, whose financial results have been consolidated into our consolidated financial statements under U.S. GAAP for accounting purposes. The9 Limited is a holding company with no operations of its own. (2) the terms "shares" and "ordinary shares" refer to our ordinary shares; "**Class A ordinary shares**" refer to our Class A ordinary shares of par value US$0.01 per share; "**Class B ordinary shares**" refers to our Class B ordinary shares of par value US$0.01 per share; and "**ADSs**" refers to our American depositary shares, each of which represents 300 Class A ordinary shares, (3) "**China**" and "**PRC**" refer to the People's Republic of China, (4) all references to "**RMB**" and "**Renminbi**" are to the legal currency of the Chinese mainland and all references to "**U.S. dollars**," "dollars," "**US$**" and "$" are to the legal currency of the United States, and (5) all discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

Our reporting currency is RMB. This annual report contains translations of RMB amounts into U.S. dollars solely for the convenience of the readers. Unless otherwise stated, all translations from RMB to U.S. dollars were made at a rate of RMB7.2993 to US$1.00, which was the exchange rate in effect as of December 31, 2024 as set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Future movements in exchange rates between the U.S. dollar and the RMB may adversely affect the value of our ADSs."

On December 15, 2004, our ADSs commenced trading on the Nasdaq Global Market under the symbol "NCTY." In October 2018, we transferred our listing venue to the Nasdaq Capital Market. On May 6, 2019, we adjusted our authorized share capital and adopted dual-class share structure, consisting of Class A ordinary shares and Class B ordinary shares. Effective October 19, 2020, we effected a change of the ratio of the ADS to our Class A ordinary shares from one ADS representing three Class A ordinary shares to one ADS representing thirty Class A ordinary shares. Effective October 2, 2023, we effected a change of the ratio of the ADS to our Class A ordinary shares from one ADS representing thirty Class A ordinary shares to one ADS representing 300 Class A ordinary shares. Currently, each ADS represents 300 Class A ordinary shares. Unless otherwise indicated, ADSs and per ADS amount in this annual report have been retroactively adjusted to reflect the changes in ratio for all periods presented.

FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains statements of a forward-looking nature. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as "may," "will," "expects," "anticipates," "future," "intend," "plan," "believe," "estimate," "is/are likely to," "considers" or other and similar expressions. The accuracy of these statements may be impacted by a number of risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, the following:

- our ability to return to profitability or raise sufficient capital to cover our capital needs;
- our ability to identify business development focus;
- our ability to develop our cryptocurrency mining business and difficulty of cryptocurrency mining to generate sufficient economic return;
- the price fluctuation and market demand of cryptocurrencies;
- risks inherent in cryptocurrencies, such as hacking, fraud and safety concerns;
- our ability to successfully execute our strategies for online game business;
- risks inherent in the online game business;
- risks arising from our future acquisitions and investments;
- our ability to compete effectively against our competitors;
- risks arising from our corporate structure and the regulatory environment in the countries in which we conduct business operations; and
- other risks outlined in our filings with the SEC including this annual report on Form 20-F.

These risks are not exhaustive. We operate in an emerging and evolving environment. New risk factors emerge from time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any specific factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We would like to caution you not to place undue reliance on forward-looking statements and you should read these statements in conjunction with the risk factors disclosed in "Item 3. Key Information—D. Risk Factors." We do not undertake any obligation to update forward-looking statements except as required under applicable law.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

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

The9 Limited is not an operating company but a Cayman Islands holding company with no equity ownership in the consolidated variable interest entity, but maintains contractual arrangements with the consolidated variable interest entity and is considered the primary beneficiary of these entities, whose financial results are consolidated in The9 Limited's consolidated financial statements under the U.S. GAAP for accounting purposes. The contractual arrangements may not be as effective as direct equity ownership in the consolidated variable interest entity, and the government authorities may challenge the enforceability of these contractual arrangements.

Historically, we primarily operated online game business before we turned to blockchain business and conducted our operations then in the Chinese mainland through (i) our Chinese mainland subsidiaries, and (ii) the consolidated variable interest entity with which we have maintained contractual arrangements. However, in the past three years we derived substantially all of our revenue from jurisdictions other than the Chinese mainland. Specifically, since February 2021, we have turned our business focus to global blockchain business and are primarily engaged in the operation of cryptocurrency mining. Therefore, our Chinese mainland-related revenue, represented an insignificant amount in 2024.

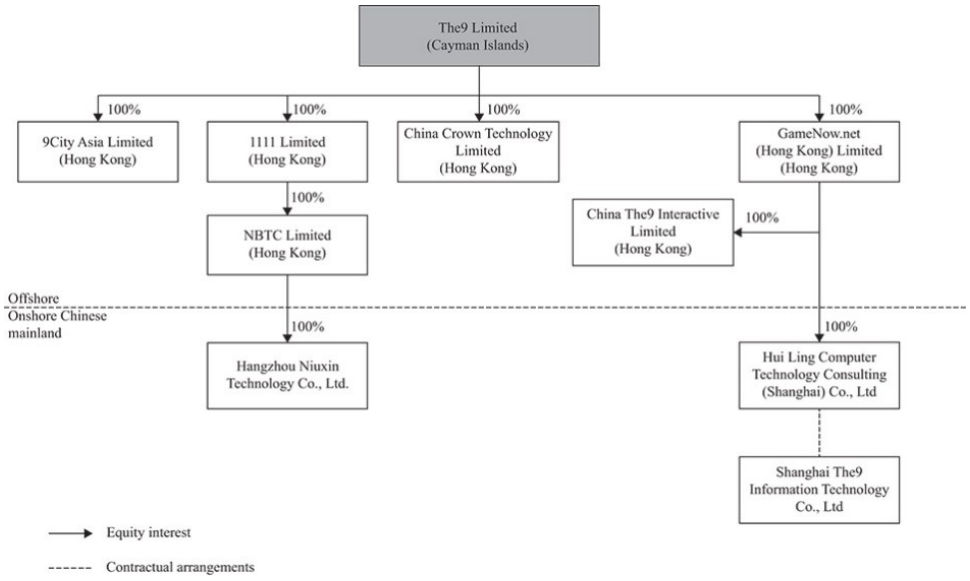
In the second half of 2024, we have reentered the online gaming business in the Chinese mainland market. In May 2024, we entered into an exclusive publishing license agreement with Wemade Co. Ltd. (Wemade), a Korean company that owns the publishing rights to MIR M game, pursuant to which our wholly owned subsidiary incorporated in Hong Kong, China Crown Technology Limited, has the right to exclusively publish and service the new MIR M game in the Chinese mainland, in both mobile and PC version. We have entered into four separate joint venture agreements under which we agreed to mutually operate various online game-related business with each respective joint venture partner. All joint venture partners shall contribute their players/user base to the respective joint venture companies. We have also sublicensed MIR M game for publishing and operations to Shaoxing Jiuyu Network Technology Co., Ltd. and sublicensed certain MIR M game-related rights to the other joint venture companies primarily responsible for marketing and other auxiliary business. We plan to expand our online game operations through the establishment of more joint ventures in the Chinese mainland, which are expected to commence operations in 2025. We plan to conduct our operations in the Chinese mainland through (i) our Chinese mainland subsidiaries, and (ii) the consolidated variable interest entity with which we have maintained contractual arrangements.

For our operations in the Chinese mainland, laws and regulations of the Chinese mainland restrict and impose conditions on foreign investment in internet content, value-added telecommunication-based online marketing, audio and video services and mobile application distribution businesses. Accordingly, we had historically operated, and are currently operating our online game business in the Chinese mainland through the consolidated variable interest entity, and such structure is used to provide investors with exposure to foreign investment in PRC-based companies where laws and regulations of the Chinese mainland prohibit or restrict direct foreign investment in certain operating companies, and rely on contractual arrangements among our Chinese mainland subsidiaries, the consolidated variable interest entity and its shareholders to conduct business operations of the consolidated variable interest entity. The consolidated variable interest entity contributed an aggregate of 0.6%, 0.2% and 0.3% of the consolidated net revenues for the years ended December 31, 2022, 2023 and 2024, respectively. As used in this annual report, "we," "us," "our company" and "our" refers to The9 Limited, its subsidiaries, and, in the context of describing our operations and consolidated financial information, the variable interest entity in the Chinese mainland, Shanghai The9 Information Technology Co., Ltd., or Shanghai IT. Shanghai IT, established in September 2000, currently holds one Internet Content Provider License, operates our website and primarily engages in our gaming business. Our new joint venture company, Shaoxing Jiuyu Network Technology Co., Ltd. ("Shaoxing Jiuyu") established by Shanghai IT and Zhejiang Huanyu Network Technology Co., Ltd. ("Zhejiang Huanyu"), a Chinese game development and operation company, also holds one Internet Content Provider License. Investors in our ADSs are not purchasing equity interest in the consolidated variable interest entity in the Chinese mainland but instead are purchasing equity interest in a holding company incorporated in the Cayman Islands and may never directly hold equity interests in the consolidated variable interest entity in the Chinese mainland.

A series of contractual agreements, including loan agreements, exclusive purchase option agreements, exclusive technology consulting and services agreements or exclusive business cooperation agreements, intellectual property rights license agreement, equity pledge agreements, powers of attorney, business cooperation agreement and business operations agreements, have been entered into by and among our subsidiaries, the consolidated variable interest entity and their respective shareholders. Despite the lack of legal majority ownership, we are able to direct the activities of and derive economic benefits from the consolidated variable interest entity pursuant to the contractual arrangements and therefore our Cayman Island holding company is considered the primary beneficiary of the consolidated variable interest entity for accounting purposes and consolidates the variable interest entity and its subsidiaries as required by Accounting Standards Codification topic 810, Consolidation. Accordingly, we treat the consolidated variable interest entity as a consolidated entity under U.S. GAAP and we consolidate the financial results of the consolidated variable interest entity in our consolidated financial statements in accordance with U.S. GAAP. Neither The9 Limited nor its investors have an equity ownership in, direct foreign investment in, or control through such ownership or investment of, the consolidated variable interest entity, and the contractual arrangements are not equivalent to an equity ownership in the business of the consolidated variable interest entity. For more details of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with The Variable Interest Entity," and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Arrangements with Variable Interest Entity."

However, the contractual arrangements may not be as effective as direct ownership and we may incur substantial costs to enforce the terms of the arrangements. In addition, these agreements have not been tested in courts of the Chinese mainland. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We rely on contractual arrangements for our operations and operating licenses in the Chinese mainland, which may not be as effective as direct ownership" and "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—The principal shareholders of the variable interest entity have potential conflicts of interest with us, which may adversely affect our business." There are also substantial uncertainties regarding the interpretation and application of current and future laws, regulations and rules in the Chinese mainland regarding the status of the rights of our Cayman Islands holding company with respect to its contractual arrangements with the variable interest entity and its shareholders. It is uncertain whether any new laws or regulations of the Chinese mainland relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or any of the variable interest entity is found to be in violation of any existing or future laws or regulations of the Chinese mainland, or fail to obtain or maintain any of the required permits or approvals, the PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government determines that the contractual arrangements constituting part of the variable interest entity structure do not comply with laws and regulations of the Chinese mainland, or if these laws and regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations."

The following diagram illustrates our organizational structure, the place of formation, ownership interest of each of our significant subsidiaries and material variable interest entity as of the date of this annual report:



Note:

The shareholders of Shanghai IT are Mr. Wei Ji and Mr. Qi Wang, each owning 64% and 36% of Shanghai IT's equity interest, respectively. Mr. Wei Ji and Mr. Qi Wang are two of our employees.

Current laws and regulations of the Chinese mainland impose substantial restrictions on foreign ownership of entities involved in internet content provision, or **ICP**, in the Chinese mainland. Therefore, we conduct part of our activities through a series of agreements with Shanghai IT, the variable interest entity. Shanghai IT and Shaoxing Jiuyu hold the requisite licenses and approvals for conducting ICP-related businesses in the Chinese mainland. Shanghai IT is owned by our employees Wei Ji and Qi Wang.

We have obtained the exclusive right to benefit from Shanghai IT's licenses and approvals. In addition, through a series of contractual arrangements with Shanghai IT and its shareholders, we are able to direct and conduct business operations through contractual arrangements with Shanghai IT. We believe that the individual shareholders of Shanghai IT will not receive material personal benefits from these agreements except as shareholders or employees of The9 Limited. Despite the lack of legal majority ownership, we are able to direct the activities of and derive economic benefits from the consolidated variable interest entity through contractual arrangements and therefore our Cayman Island holding company is considered the primary beneficiary of the consolidated variable interest entity for accounting purposes and consolidates the variable interest entity and its subsidiaries as required by Accounting Standards Codification topic 810, Consolidation. Accordingly, we treat the consolidated variable interest entity as a consolidated entity under U.S. GAAP and we consolidate the financial results of the consolidated variable interest entity in our consolidated financial statements in accordance with U.S. GAAP. Neither The9 Limited nor its investors have an equity ownership in, direct foreign investment in, or control through such ownership or investment of, the consolidated variable interest entity, and the contractual arrangements are not equivalent to an equity ownership in the business of the consolidated variable interest entity.

We do not believe we could have obtained these agreements, taken as a whole, from unrelated third parties. Because of the uncertainty relating to the legal and regulatory environment in China, the terms of most of the agreements were not defined unless terminated by the parties thereto. According to our PRC counsel, Grandall Law Firm, subject to the interpretation and implementation of the Circular and the Administrative Measures on Network Publication promulgated by the General Administration of Press and Publication, or the **GAPP**, the existing contractual arrangements are valid, binding and enforceable under the current laws and regulations of the Chinese mainland. The principal provisions of these agreements are described below.

Exclusive Technical Service Agreement. We provide Shanghai IT with technical services for the operation of computer software and related businesses, including the provision of systematic solutions for the operation of internet websites, the rental of computer and internet facilities, daily maintenance of internet servers and databases, the development and update of computer software, and all other related technical and consulting services. Shanghai IT pays service fees equivalent to 90% of profits after deduction of validated costs by the contracting parties to us. We are the exclusive provider of these services to Shanghai IT. According to the rules and regulations of the Chinese mainland, related party transactions should be negotiated at the arm's length basis and apply reasonable transfer pricing methods. However, the determination of service fees is under the sole discretion of us. This agreement shall remain in force indefinitely unless the parties agree in writing to terminate in advance.

Shareholder Voting Proxy Agreement. Each of the shareholders of Shanghai IT has entered into a shareholder voting proxy agreement with us, under which each shareholder of Shanghai IT irrevocably grants any third party we designate the power to exercise all voting rights to which he/she is entitled as a shareholder of Shanghai IT, including the right to attend shareholders meetings, to exercise voting rights and to appoint directors, a general manager, and other senior management of Shanghai IT. The power of proxy is irrevocable and may only be terminated at our discretion.

Call Option Agreement. We entered into a call option agreement with each of the shareholders of Shanghai IT, under which the parties irrevocably agreed that, at our sole discretion, we and/or any third party we designate will be entitled to acquire all or part of the equity interest in Shanghai IT, to the extent permitted by the then-effective laws and regulations of the Chinese mainland. The consideration for such acquisition will be the price equal to the lower of the amount of the registered capital of Shanghai IT and the minimum amount permissible by the then-applicable laws of the Chinese mainland. The shareholders of Shanghai IT have also agreed not to enter into any transaction, or fail to take any action, that would substantially affect the assets, liabilities, equity, operations or other legal rights of Shanghai IT without our prior written consent, including, without limitation, declaration and distribution of dividends and profits; sale, assignment, mortgage or disposition of, or encumbrances on, Shanghai IT's equity; merger or consolidation; creation, assumption, guarantee or incurrence of any indebtedness; entering into other materials contracts. This agreement shall not expire until such time as we acquire all equity interests of Shanghai IT subject to applicable laws of the Chinese mainland.

Loan Agreement. From 2002 to May 2005, we provided an aggregate of RMB23.0 million in loan to the then shareholders of Shanghai IT, namely Jun Zhu and Yong Wang, for the purposes of capitalizing and increasing the registered capital of Shanghai IT. Such loan agreement was assumed by the current shareholders of Shanghai IT when Jun Zhu transferred the equity interest in Shanghai IT to Wei Ji in 2011 and Yong Wang transferred the equity interests in Shanghai IT to Zhimin Lin in 2014. Zhimin Lin transferred the equity interests in Shanghai IT to Qi Wang in 2022. In May 2019, we terminated such loan agreement and entered into a new loan agreement among the shareholders of Shanghai IT and Shanghai Hui Ling, our subsidiary. Pursuant to the terms of this new loan agreement, we granted an interest-free loan to each shareholder of Shanghai IT for the explicit purpose of making a capital contribution to Shanghai IT. The loans have an unspecified term and will remain outstanding for the shorter of the duration of Shanghai Hui Ling or that of the Shanghai IT, or until such time that we elect to terminate the agreement (which is at our sole discretion) at which point the loans are payable on demand. Such loans shall only become immediately due and payable when we send a written notice to the borrowers requesting repayment. In December 2021, Zhimin Lin, Qi Wang, Wei Ji, Shanghai Hui Ling, and Shanghai IT entered into a Transfer Agreement of Contract Interest, where all contract interest of Zhimin Lin under the loan agreement has been transferred to Qi Wang. Currently, Qi Wang and Wei Ji have pledged all of their equity interests in Shanghai IT in favor of us under the equity pledge agreements. In the event of a breach of any term in the loan agreement or any other agreement by either Shanghai IT or its shareholders, we will be entitled to enforce our rights as a pledgee under the agreement.

Equity Pledge Agreements. To secure the full performance by Shanghai IT or its shareholders of their respective obligations under the Shareholder Voting Proxy Agreement, the Call Option Agreement and the Loan Agreement, the shareholders of Shanghai IT have pledged all of their equity interests in Shanghai IT in favor of us under two equity pledge agreements. In addition, the dividend distributions to the shareholders of Shanghai IT, if any, will be deposited in an escrow account over which we have exclusive control. The pledge shall remain effective until all obligations under such agreements have been fully performed. The shareholders have the obligation to maintain ownership and conduct business operations with the pledged equity. Under no circumstances, without our prior written consent, may any shareholder transfer or otherwise encumber any equity interests in Shanghai IT. If any event of default as provided for therein occurs, Shanghai Hui Ling, as the pledgee, will be entitled to dispose of the pledged equity interests through transfer or assignment and use the proceeds to repay the loans or make other payments due under the above loan agreement up to the loan amounts. Each of the shareholders of Shanghai IT has registered the pledge of its equity interests with the local administration for market regulation pursuant to the Property Rights Law of the Chinese mainland. In the event of a breach of any term in the above agreements by either Shanghai IT or its shareholders, we will be entitled to enforce our pledge rights over such pledged equity interests to compensate for any and all losses suffered from such breach.

Our corporate structure is subject to risks arising from the contractual arrangements with the consolidated variable interest entity. If the PRC government determines that the contractual arrangements constituting part of the variable interest entity structure do not comply with laws and regulations of the Chinese mainland, or if these laws and regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. The PRC regulatory authorities could disallow the variable interest entity structure, which would likely result in a material adverse change in our operations, and our ADSs or Class A ordinary shares may decline significantly in value or become worthless. Our holding company, our Chinese mainland subsidiaries and the consolidated variable interest entity, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the consolidated variable interest entity and, consequently, significantly affect the financial performance of the consolidated variable interest entity and our company as a whole. For a detailed description of the risks arising from our corporate structure, please refer to risks disclosed under "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure."

We face various risks and uncertainties related to doing business in China. For the business operations that are conducted in the Chinese mainland, we are subject to complex and evolving laws and regulations of the Chinese mainland. For example, we face risks arising from regulatory approvals on offshore offerings, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy. These risks could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline. For a detailed description of risks related to doing business in China, please refer to risks disclosed under "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China."

PRC government's significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations, including data security related regulations, in this nature may cause the value of such securities to significantly decline. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PRC government's significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs."

Risks and uncertainties arising from the PRC legal system, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations of the Chinese mainland, could result in a material adverse change in our operations and the value of our ADSs. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us." and "—We may be adversely affected by the complexity, uncertainties and changes in regulation in the Chinese mainland of blockchain, NFT, and internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations."

Permissions Required from the PRC Authorities for Our Operations

We conduct our business primarily through our subsidiaries and through the variable interest entity in the Chinese mainland. Our operations in the Chinese mainland are governed by laws and regulations of the Chinese mainland. As of the date of this annual report, for our operations in the Chinese mainland, our Chinese mainland subsidiaries, the variable interest entity and its subsidiaries have obtained the necessary licenses and permits from the PRC government authorities. In addition to the Business License issued by the department of the State Administration for Market Regulation for each of our Chinese mainland subsidiaries and the consolidated variable interest entity, the Chinese mainland subsidiaries and the variable interest entity are required to obtain, and have obtained the Internet Content Provider License, which covers all our business operations in the Chinese mainland. Given the uncertainties of interpretation and implementation of laws and regulations and the enforcement practice by government authorities, we may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our platform in the future. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—We may be adversely affected by the complexity, uncertainties and changes in regulation in the Chinese mainland of blockchain, NFT, and internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations." If (i) we do not receive or maintain any permissions or approvals, (ii) we inadvertently concluded that certain permissions or approvals have been acquired or are not required, or (iii) applicable laws, regulations or interpretations thereof change and we become subject to the requirement of additional permissions or approvals in the future, we cannot assure you that we will be able to obtain such permissions or approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could subject us to penalties, including fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations.

Furthermore, as advised by Grandall Law Firm, our PRC legal counsel, under current laws, regulations and regulatory rules in the Chinese mainland currently in effect, as of the date of this annual report, we, our Chinese mainland subsidiaries and the consolidated variable interest entity (i) are not required to fulfill filing procedures and obtain approval from the China Securities Regulatory Commission, or the **CSRC**, immediately as an offshore listing company, but need to file accordingly if we conduct further offshore offerings, (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China, or the **CAC**, and (iii) have not been asked to obtain or were denied such permissions by the CSRC or the CAC, and (iv) have not been required to apply for, nor have we been denied, any permission or approval from any other PRC government authority. However, the PRC government has indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers in recent years. According to the Notice on the Management Arrangement of Domestic Enterprises' Overseas Issuance and Listing Filing, existing enterprises are not required to fulfill filing procedures and obtain CSRC approval immediately, but should file as required when it comes to matters such as further offshore offerings. Existing enterprises refer to those whose applications for indirect overseas issuance and listing have been approved by overseas regulatory agencies or overseas stock exchanges before March 31, 2023. Our PRC legal counsel is of the opinion that we meet the definition of a domestic enterprise with indirect overseas listing. Therefore, we believe that as an existing enterprise, we are not required to fulfill filing procedures immediately, but shall file for CSRC approval accordingly if we plan to conduct further offshore offering in the future. If we fail to obtain the approval or complete other filing procedures for any future offshore offering or listing, we may face sanctions by the CSRC or other PRC regulatory authorities, which may include fines and penalties on our operations in the Chinese mainland, limitations on our operating privileges in the Chinese mainland, restrictions on or prohibition of the payments or remittance of dividends by our Chinese mainland subsidiaries, restrictions on or delays to our future financing transactions offshore, or other actions that could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under laws of the Chinese mainland, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing" and "—Risks Related to Our Company and Our Industry—Our business is subject to complex and evolving Chinese and international laws and regulations regarding data privacy and cybersecurity. Failure to protect confidential information of our customers and network against security breaches could damage our reputation and brand and substantially harm our business and results of operations."

The Holding Foreign Companies Accountable Act

Pursuant to the Holding Foreign Companies Accountable Act, or the **HFCAA**, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the Public Company Accounting Oversight Board (United States), or the PCAOB, for two consecutive years, the SEC will prohibit our shares or the ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in the Chinese mainland and Hong Kong. Our independent registered public accounting firm that we engaged in August 2021, RBSM LLP, or **RBSM**, whose audit report for the fiscal years 2022, 2023 and 2024 is included in this annual report on Form 20-F, is headquartered in New York, New York, and has been inspected by the PCAOB on a regular basis. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed the Chinese mainland and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in the Chinese mainland and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in the Chinese mainland and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the Securities and Exchange Commission, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PCAOB may be unable to inspect or investigate completely our auditor in relation to their audit work performed for our financial statements. If the PCAOB is unable to conduct such inspection, our investors would be deprived of the benefits of such inspection” and “—Our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect or investigate completely auditors located in the Chinese mainland and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the Securities and Exchange Commission. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

Cash and Asset Flows through Our Organization

The9 Limited is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries incorporated under the laws of various jurisdictions where we have business presence. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries, which is subject to restrictions imposed by the applicable laws and regulations in these jurisdictions. In certain jurisdictions, there are currently no foreign exchange control regulations which restrict the ability of our subsidiaries in these jurisdictions to distribute dividends to us. However, the regulations may be changed and the ability of these subsidiaries to distribute dividends to us may be restricted in the future. As for our insignificant operation in the Chinese mainland, under the laws and regulations of the Chinese mainland, if our existing Chinese mainland subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned Chinese mainland subsidiaries are permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under the laws and regulations of the Chinese mainland, each of our subsidiaries and the variable interest entity in the Chinese mainland is required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. Furthermore, there is no assurance the PRC government will not intervene in or impose restrictions on the ability of us, our subsidiaries, and the consolidated variable interest entity to transfer cash. To the extent cash in the business is in the Chinese mainland or an entity in the Chinese mainland, the funds may not be available to fund operations or for other use outside of the Chinese mainland due to interventions in or the imposition of restrictions and limitations on the ability of us, our subsidiaries, or the variable interest entity by the PRC government to transfer cash. We do not, however, expect cash transfer from our Chinese mainland subsidiaries and the variable interest entity and its subsidiaries to us, or the other way around.

We have established stringent controls and procedures for cash flows within our organization. Each transfer of cash between our Cayman Islands holding company and a subsidiary, the variable interest entity or its subsidiaries is subject to internal approval. The cash inflows of the Cayman Islands holding company were primarily generated from the proceeds we received from our public offerings of securities, other financing activities and cash generated from operating activities. Our company has established a unified centralized cash management policy within our group companies to direct how funds are transferred between The9 Limited, our subsidiaries and the consolidated variable interest entity and its subsidiaries to improve the efficiency and ensure the security of cash management. Our management has established a series of manuals and policies, divided into five sub-processes, namely, bank account management, collection, payment, bank balance management, and physical cash management. They apply to all of our subsidiaries and the consolidated variable interest entity and its subsidiaries. We have complied with the applicable laws and regulations for the operation of such cash centralized management accounts and completed necessary registration and approval procedures with governmental authorities. Every fund transfer within our group goes through an appropriate review and approval process depending on the nature and amount of the transfer under our cash management policy. In each sub-process, we enforce different levels of checking and approval procedures, ranging from staff level employees, department heads, chief financial officer, to chief executive officer.

In 2022, 2023 and 2024, our Cayman Islands holding company transferred cash in the total amount of RMB10.3 million, RMB56.4 million and RMB33.4 million (US$4.1 million) to our subsidiaries, respectively, and transferred cash, through our offshore intermediate holding entities, in the total amount of nil, nil and nil to the variable interest entity and its subsidiaries, respectively, and received cash in the total amount of nil, RMB49.7 million and RMB28.4 million (US$3.9 million) from our subsidiaries, respectively.

In 2022, 2023 and 2024, the consolidated variable interest entity and its subsidiaries transferred cash in the total amount of RMB5.1 million, RMB0.5 million and RMB4.4 million (US$0.6 million) to our subsidiaries, respectively, and received cash in the total amount of RMB17.0 million, RMB10.0 million and RMB45.5 million (US$6.2 million) from our subsidiaries, respectively. The variable interest entity and its subsidiaries have received RMB3.7 million, nil and nil of service income from our subsidiaries in 2022, 2023 and 2024, respectively.

In 2022, 2023 and 2024, apart from the aforementioned amount and transactions between our subsidiaries in the ordinary course of business, no cash were transferred between us, our subsidiaries, the variable interest entity or its subsidiaries.

In 2022, 2023 and 2024, no assets other than cash were transferred between our Cayman Islands holding company and a subsidiary, a variable interest entity or its subsidiary, no subsidiaries paid dividends or made other distributions to the holding company, and no dividends or distributions were paid or made to U.S. investors.

Pursuant to the Exclusive Technical Service Agreement between our wholly owned Chinese mainland subsidiaries and the variable interest entity, the amount of service fee shall be calculated in such manner as determined by both the variable interest entity and our wholly owned Chinese mainland subsidiaries from time to time based on the nature of service and paid monthly. Considering the future operating and cashflow needs of the variable interest entity, for the years ended December 31, 2022, 2023 and 2024, our wholly owned Chinese mainland subsidiaries agreed not to charge any service fees from the variable interest entity. As a result, no payments were made by the variable interest entity under this agreement.

For details of the financial position, cash flows, and results of operations of the consolidated variable interest entity, see "—Financial Information Related to the Consolidated Variable Interest Entity" and pages F-26 to F-29 of this annual report on Form 20-F.

As a Cayman Islands holding company, we may receive dividends from our Chinese mainland subsidiaries. Under the PRC Enterprise Income Tax Law and related regulations, dividends, interests, rent or royalties payable by a foreign-invested enterprise, such as our Chinese mainland subsidiaries, to any of its foreign non-resident enterprise investors, and proceeds from any such foreign enterprise investor's disposition of assets (after deducting the net value of such assets) are subject to a 10% withholding tax, unless the foreign enterprise investor's jurisdiction of incorporation has a tax treaty with the Chinese mainland that provides for a reduced rate of withholding tax. The Cayman Islands, where The9 Limited, the direct parent company of our Chinese mainland subsidiaries, is incorporated, does not have such a tax treaty with the Chinese mainland. Hong Kong has a tax arrangement with the Chinese mainland that provides for a 5% withholding tax on dividends subject to certain conditions and requirements, such as the requirement that the Hong Kong resident enterprise own at least 25% of the enterprise in the Chinese mainland distributing the dividend at all times within the 12-month period immediately preceding the distribution of dividends and be a "beneficial owner" of the dividends. If our Chinese mainland subsidiaries declare and distribute profits to us, such payments will be subject to withholding tax, which will increase our tax liability and reduce the amount of cash available to our company. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—Contractual arrangements in relation to the variable interest entity may be subject to scrutiny by the PRC tax authorities and they may determine that we or the variable interest entity owes additional taxes, which could negatively affect our financial condition and the value of your investment." If our holding company in the Cayman Islands or any of our subsidiaries outside of the Chinese mainland were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its global income at a rate of 25%.

For purposes of illustration, the following discussion reflects the hypothetical taxes that might be required to be paid within the Chinese mainland, assuming that: (i) we have taxable earnings, and (ii) we determine to pay dividends in the future.

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

Notes:

(1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in the Chinese mainland.

(2) Under the terms of variable interest entity agreements, our Chinese mainland subsidiaries may charge the consolidated variable interest entity for services provided to the consolidated variable interest entity. These service fees shall be recognized as expenses of the consolidated variable interest entity, with a corresponding amount as service income by our Chinese mainland subsidiaries and eliminate in consolidation. For income tax purposes, our Chinese mainland subsidiaries and the consolidated variable interest entity file income tax returns on a separate company basis. The service fees paid are recognized as a tax deduction by the consolidated variable interest entity and as income by our Chinese mainland subsidiaries and are tax neutral.

(3) Certain of our subsidiaries and the variable interest entity qualifies for a 15% preferential income tax rate in the Chinese mainland. However, such rate is subject to qualification, is temporary in nature, and may not be available in a future period when distributions are paid. For purposes of this hypothetical example, the table above reflects a maximum tax scenario under which the full statutory rate would be effective.

(4) The PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise, or **FIE**, to its immediate holding company outside of the Chinese mainland. A lower withholding income tax rate of 5% is applied if the FIE's immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with the Chinese mainland, subject to a qualification review at the time of the distribution. For purposes of this hypothetical example, the table above assumes a maximum tax scenario under which the full withholding tax would be applied.

The table above has been prepared under the assumption that all profits of the consolidated variable interest entity will be distributed as fees to our Chinese mainland subsidiaries under tax neutral contractual arrangements. If, in the future, the accumulated earnings of the consolidated variable interest entity exceed the service fees paid to our Chinese mainland subsidiaries (or if the current and contemplated fee structure between the intercompany entities is determined to be non-substantive and disallowed by Chinese tax authorities), the consolidated variable interest entity could make a non-deductible transfer to our Chinese mainland subsidiaries for the amounts of the stranded cash in the consolidated variable interest entity. This would result in such transfer being non-deductible expenses for the consolidated variable interest entity but still taxable income for the Chinese mainland subsidiaries.

Under laws and regulations of the Chinese mainland, our PRC subsidiaries and the variable interest entity are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Our subsidiaries' ability to distribute dividends is based upon their distributable earnings. Current regulations of the Chinese mainland permit our Chinese mainland subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our Chinese mainland subsidiaries and the variable interest entity is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Each of such entities in the Chinese mainland is also required to further set aside a portion of its after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at the discretion of its board of directors. These reserves are not distributable as cash dividends. In the event that any of our Chinese mainland subsidiaries incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

In addition, our Chinese mainland subsidiaries, the variable interest entity and its subsidiaries generate revenue primarily in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our Chinese mainland subsidiaries to pay dividends to us. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We may rely on dividends and other distributions on equity paid by our Chinese mainland subsidiaries to fund any cash and financing requirements we may have. Although during the year 2024, substantially all of our revenue is generated from our subsidiaries outside of the Chinese mainland, we have reentered the online gaming business in the Chinese mainland market in the second half of 2024. Any limitation on the ability of our Chinese mainland subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business," and "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Regulation in the Chinese mainland of loans to and direct investment in entities in the Chinese mainland by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans or additional capital contributions to our Chinese mainland subsidiaries and the variable interest entity, which could materially and adversely affect our liquidity and our ability to fund and expand our business."

Financial Information Related to the Consolidated Variable Interest Entity

The following table presents the condensed consolidating schedule of financial information for the consolidated variable interest entity and other entities as of the dates presented.

In 2023, we sold NFTSTAR Singapore Pte. Ltd. and its subsidiaries to an unrelated third party. As a result of the disposal, we no longer consolidate the operating results of the NFT business. The historical financial results of the NFT business are reflected in our consolidated financial statements as discontinued operations accordingly.

Selected Condensed Consolidating Statements of Income Information

	For the Year Ended December 31, 2024					
	The9 Limited	Other Company Subsidiaries	Primary Beneficiaries of Consolidated Variable Interest Entity	Consolidated Variable Interest Entity	Eliminations	Consolidated Total
			RMB			
Inter-company revenues	—	—	—	—	—	—
Revenues	—	111,396	—	318	—	111,714
Inter-company cost	—	—	—	—	—	—
Cost of Revenues	—	(112,848)	—	(470)	—	(113,318)
Gross (loss) profit	—	(1,452)	—	(152)	—	(1,604)
Operating (expenses) income:	(97,153)	64,248	(4,715)	(19,540)	—	(57,160)
Other operating income, net	—	—	—	—	—	—
Loss from operations	(97,153)	62,796	(4,715)	(19,692)	—	(58,764)
Income (loss) from continuing operations before income tax expense and share of loss in equity method investments	(60,046)	26,772	(4,657)	(34,589)	—	(72,520)
Gain (loss) from discontinued operations, net	—	—	—	—	—	—
Net income (loss)	(73,424)	39,028	(4,657)	(34,589)	—	(73,642)
Net income (loss) attributable to shareholders of ordinary shares	(73,424)	39,028	(4,657)	(34,371)	—	(73,424)
Total comprehensive income (loss)	(73,424)	38,662	(4,657)	(34,371)	—	(73,790)

	For the Year Ended December 31, 2023					
	The9 Limited	Other Company Subsidiaries	Primary Beneficiaries of Consolidated Variable Interest Entity	Consolidated Variable Interest Entity	Eliminations	Consolidated Total
			RMB			
Inter-company revenues	—	—	—	—	—	—
Revenues	—	173,617	—	428	—	174,045
Inter-company cost	—	—	—	—	—	—
Cost of Revenues	—	(211,153)	(1,808)	(218)	—	(213,179)
Gross (loss) profit	—	(37,536)	(1,808)	210	—	(39,134)
Operating (expenses) income:	(117,011)	(130,417)	(7,811)	(23,380)	—	(278,619)
Other operating income, net	—	—	—	—	—	—
Loss from operations	(117,011)	(167,953)	(9,619)	(23,170)	—	(317,753)
Income (loss) from continuing operations before income tax expense and share of loss in equity method investments	(96,446)	(192,262)	(9,590)	154,021	—	(144,277)
Gain (loss) from discontinued operations, net	158,809	(1,956)	—	—	—	156,853
Net income (loss)	20,003	(151,858)	(9,590)	154,021	—	12,576
Net income (loss) attributable to shareholders of ordinary shares	20,003	(145,093)	(9,590)	154,683	—	20,003
Total comprehensive income (loss)	20,003	(151,735)	(9,590)	154,683	—	13,361

	For the Year Ended December 31, 2022					
	The9 Limited	Other Company Subsidiaries	Primary Beneficiaries of Consolidated Variable Interest Entity	Consolidated Variable Interest Entity	Eliminations	Consolidated Total
			RMB			
Inter-company revenues	—	—	—	3,529	(3,529)	—
Revenues	—	104,274	—	655	—	104,929
Inter-company cost	—	(3,529)	—	—	3,529	—
Cost of Revenues	—	(147,651)	(3,951)	(705)	—	(152,307)
Gross (loss) profit	—	(46,906)	(3,951)	3,479	—	(47,378)
Operating (expenses) income:	(232,037)	(347,020)	(8,258)	(26,839)	—	(614,154)
Other operating income, net	—	—	—	—	—	—
Loss from operations	(232,037)	(393,926)	(12,209)	(23,360)	—	(661,532)
Income (loss) from continuing operations before income tax expense and share of loss in equity method investments	(244,782)	(416,863)	(12,004)	(19,757)	—	(693,406)
Gain (loss) from discontinued operations, net	—	(286,086)	—	—	—	(286,086)
Net income (loss)	(974,859)	27,128	(12,004)	(19,757)	—	(979,492)
Net income (loss) attributable to shareholders of ordinary shares	(974,859)	29,732	(12,004)	(17,728)	—	(974,859)
Total comprehensive income (loss)	(974,859)	25,265	(12,004)	(17,728)	—	(979,326)

Selected Condensed Consolidating Balance Sheets Information

	As of December 31, 2024					
	The9 Limited	Other Company Subsidiaries	Primary Beneficiaries of Consolidated Variable Interest Entity	Consolidated Variable Interest Entity	Eliminations	Consolidated Total
			RMB			
Cash and cash equivalents	474	7,056	368	3,013	—	10,911
Due from group companies	2,580,327	2,901,629	24,999	446,094	(5,953,049)	—
Current assets	2,582,079	3,111,854	48,532	454,272	(5,953,049)	243,688
Non-current assets	(1,789,424)	112,444	105	25,851	2,043,980	392,956
Total assets	792,655	3,224,298	48,637	480,123	(3,909,069)	636,644
Due to group companies	301,067	4,199,606	50,465	1,401,911	(5,953,049)	—
Current liabilities	349,445	4,262,012	50,784	1,496,415	(5,953,049)	205,607
Non-current liabilities	1,923	1,604	—	—	—	3,527
Total liabilities	351,368	4,263,616	50,784	1,496,415	(5,953,049)	209,134
Redeemable noncontrolling interest	102,638	—	—	—	—	102,638
Total equity (deficit)	338,649	(1,039,318)	(2,147)	(1,016,292)	2,043,980	324,872
Total liabilities, redeemable noncontrolling interest and equity (deficit)	792,655	3,224,298	48,637	480,123	(3,909,069)	636,644

	As of December 31, 2023					
	The9 Limited	Other Company Subsidiaries	Primary Beneficiaries of Consolidated Variable Interest Entity	Consolidated Variable Interest Entity	Eliminations	Consolidated Total
			RMB			
Cash and cash equivalents	12,438	31,584	834	366	—	45,222
Due from group companies	2,530,726	3,692,337	24,999	459,496	(6,707,558)	—
Current assets	2,543,164	3,830,689	48,984	465,062	(6,707,558)	180,341
Non-current assets	(2,023,790)	169,861	49	5,280	2,031,984	183,384
Total assets	519,374	4,000,550	49,033	470,342	(4,675,574)	363,725
Due to group companies	215,005	5,083,510	50,301	1,358,742	(6,707,558)	—
Current liabilities	297,886	5,068,312	51,102	1,453,111	(6,707,558)	162,853
Non-current liabilities	16,746	2,755	—	33	—	19,534
Total liabilities	314,632	5,071,067	51,102	1,453,144	(6,707,558)	182,387
Redeemable noncontrolling interest	—	—	—	—	—	—
Total equity (deficit)	204,742	(1,070,517)	(2,069)	(982,802)	2,031,984	181,338
Total liabilities redeemable noncontrolling interest and equity (deficit)	519,374	4,000,550	49,033	470,342	(4,675,574)	363,725

Selected Condensed Consolidating Cash Flows Information

	As of December 31, 2024					
	The9 Limited	Other Company Subsidiaries	Primary Beneficiaries of Consolidated Variable Interest Entity	Consolidated Variable Interest Entity	Eliminations	Consolidated Total
			RMB			
Purchases of goods and services from Group Companies	—	—	—	—	—	—
Sales of goods and services to Group Companies	—	—	—	—	—	—
Net cash provided by (used in) operating activities	4,935	(66,782)	(5,045)	22,695	—	(44,197)
Investment in group companies	—	(4,578)	—	—	4,578	—
Net cash provided by (used in) investing activities	—	(40,252)	—	(21,344)	4,578	(57,018)
Investment from group companies	—	—	4,578	—	(4,578)	—
Net cash provided by (used in) financing activities	(16,602)	85,074	4,578	1,295	(4,578)	69,768

	As of December 31, 2023					
	The9 Limited	Other Company Subsidiaries	Primary Beneficiaries of Consolidated Variable Interest Entity	Consolidated Variable Interest Entity	Eliminations	Consolidated Total
			RMB			
Purchases of goods and services from Group Companies	—	—	—	—	—	—
Sales of goods and services to Group Companies	—	—	—	—	—	—
Net cash provided by (used in) operating activities	(54,377)	26,020	(9,878)	(8,085)		(46,320)
Investment in group companies	—	(6,765)			6,765	—
Net cash provided by (used in) investing activities	—	(3,525)		1,492	6,765	4,732
Investment from group companies	—	—	6,765		(6,765)	—
Net cash provided by (used in) financing activities	47,609	(14,316)	6,765	(1,090)	(6,765)	32,203

	For the Year Ended December 31, 2022					
	The9 Limited	Other Company Subsidiaries	Primary Beneficiaries of Consolidated Variable Interest Entity	Consolidated Variable Interest Entity	Eliminations	Consolidated Total
			RMB			
Purchases of goods and services from Group Companies	—	(3,741)	—	—	3,741	—
Sales of goods and services to Group Companies	—	—	—	—	—	—
Net cash provided by (used in) operating activities	(3,416)	(135,803)	(11,378)	(3,440)	—	(154,037)
Investment in group companies	—	(13,487)	—	—	13,487	—
Net cash provided by (used in investing activities	(17,640)	(251,876)	—	6,433	13,487	(249,596)
Investment from group companies	—	—	13,487	—	(13,487)	—
Net cash provided by (used in) financing activities	26,655	7,530	13,487	(1,160)	(13,487)	33,025

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

Investing in our ADSs involves significant risks. You should carefully consider all of the information in this annual report before making an investment in our ADSs. Below please find a summary of the principal risks we face, organized under relevant headings. These risks are discussed more fully in this section titled "Item 3. Key Information—D. Risk Factors."

Risks Related to Our Company and Our Industry

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

- We may incur losses, negative cash flows from operating activities and negative working capital position in the future;
- We have been transitioning our business focus and our results of operations may be materially and adversely affected;
- New lines of business or new products and services may subject us to additional risks;

- We may not be able to obtain additional financing to support our business and operations, and our equity or debt financings may have an adverse effect on our business operations and share price;

- The further development and acceptance of digital asset networks and other digital assets, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of digital asset systems may adversely affect an investment in us;

- Because our miners are designed specifically to mine Bitcoin, our future success will depend in large part upon the value of Bitcoin, and any sustained decline in its value could adversely affect our business and results of operations;

- Regulatory changes or actions may restrict the use of Bitcoin or the operation of the Bitcoin network in a manner that adversely affects an investment in us;

- Our gaming business is intensely competitive. We face the risks of changing consumer preferences and uncertainty about market acceptance of our new products. If we do not deliver new products to the market, or if consumers prefer our competitors' products or services over those we provide, our operating results will suffer.

- Our international business efforts could adversely affect us;

- Our business is subject to complex and evolving Chinese and international laws and regulations regarding data privacy and cybersecurity. Failure to protect confidential information of our customers and network against security breaches could damage our reputation and brand and substantially harm our business and results of operations.

Risks Related to Our Corporate Structure

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

- We are a Cayman Islands holding company with no equity ownership in the consolidated variable interest entity and we conduct our operations in the Chinese mainland primarily through the consolidated variable interest entity with which we have maintained contractual arrangements. Investors in our Class A ordinary shares or the ADSs thus are not purchasing equity interest in the consolidated variable interest entity in the Chinese mainland but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government determines that the contractual arrangements constituting part of the variable interest entity structure do not comply with laws and regulations of the Chinese mainland, or if these laws and regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. The PRC regulatory authorities could disallow the variable interest entity structure, which would likely result in a material adverse change in our operations, and our ADSs or Class A ordinary shares may decline significantly in value or become worthless. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government determines that the contractual arrangements constituting part of the variable interest entity structure do not comply with laws and regulations of the Chinese mainland, or if these laws and regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations" for details; and

- The principal shareholders of the variable interest entity have potential conflicts of interest with us, which may adversely affect our business.

Risks Related to Doing Business in China

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

- Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business;

- The PCAOB may be unable to inspect or investigate completely our auditor in relation to their audit work performed for our financial statements. If the PCAOB is unable to conduct such inspection, our investors would be deprived of the benefits of such inspection;

- Our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect or investigate completely auditors located in the Chinese mainland and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the Securities and Exchange Commission. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment;

- Changes in international trade policies and rising political tensions, particularly between the U.S. and China, may adversely impact our business and operating results;

- We may be adversely affected by the complexity, uncertainties and changes in regulation in the Chinese mainland of blockchain, and internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations;

- PRC government has significant authority in regulating our operations and may influence our operations. It may exert more oversight and control over offerings conducted overseas by, and/or foreign investment in, China-based issuers, which could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature may cause the value of such securities to significantly decline or be worthless. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PRC government’s significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs;

- There is no assurance the PRC government will not intervene in or impose restrictions on the ability of us, our subsidiaries, and the consolidated variable interest entity to transfer cash. To the extent cash in the business is in the Chinese mainland or an entity in the Chinese mainland, the funds may not be available to fund operations or for other use outside of the Chinese mainland due to interventions in or the imposition of restrictions and limitations on the ability of us, our subsidiaries, or the variable interest entity by the PRC government to transfer cash. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Restrictions on currency exchange in the Chinese mainland limit our ability to utilize our revenues effectively, make dividend payments and meet our foreign currency denominated obligations” for details; and

- Uncertainties with respect to the PRC legal system could adversely affect us. Certain laws and regulations of the Chinese mainland can evolve quickly, which bring risks and uncertainties to their interpretation and enforcement. Administrative and court proceedings in the Chinese mainland may be protracted. Some government policies and internal rules may not be published on a timely manner. These risks and uncertainties may make it difficult for us to meet or comply with requirements under the applicable laws and regulations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

General Risks Related to Our Shares, ADSs and Warrants

In addition to the risks described above, we are subject to general risks relating to our Class A ordinary shares, ADSs and warrants, including, but not limited to, the following:

- Our ADSs may be delisted from the Nasdaq Capital Market as a result of our failure of meeting the Nasdaq Capital Market continued listing requirements;

- The market price for our ADSs may be volatile;

- The warrants are speculative in nature; and

- If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

Risks Related to Our Company and Our Industry

We may incur losses, negative cash flows from operating activities and negative working capital position in the future.

We recorded net loss of RMB979.5 million for the year ended December 31, 2022. We recorded net income of RMB12.6 million for the year ended December 31, 2023, primarily due to a one-time non-cash gain on debt relief from the refund plan arising out of non-renewal of the license on World of Warcraft, or **WoW**, and a rebound in Bitcoin prices. We recorded net loss of and RMB73.6 million (US$10.1 million) for the year ended December 31, 2024, primarily due to the decrease in revenue. Our product development, sales and marketing and general and administrative expenses may increase in the future as we continue to explore various opportunities of new product and services development and business expansion in order to grow our revenues. Our ability to achieve profitability depends on our ability to improve operational efficiency, control costs and provide new products and services to meet market demand and attract new customers. Due to the numerous risks and uncertainties arising from our business, we may not be able to achieve profitability in the short-term or long-term.

We generated negative operating cash flows of RMB154.0 million, RMB46.3 million and RMB44.2 million (US$6.1 million) for the years ended December 31, 2022, 2023 and 2024, respectively. As of December 31, 2023 and 2024, we had cash and cash equivalents of RMB45.2 million and RMB10.9 million (US$1.5 million), respectively. As of December 31, 2022, we had a negative working capital of RMB166.5 million. However, as of December 31, 2023, we had a positive working capital of RMB60.0 million. As of December 31, 2024, we had a positive working capital of RMB38.1 million (US$5.2 million). Our negative working capital position as of December 31, 2022 was primarily due to continuous cash outflow in connection with our product development and sales and marketing activities. Our positive working capital position as of December 31, 2023 was primarily due to operating activities of cryptocurrency mining. Our positive working capital position as of December 31, 2024 was primarily due to operating activities of cryptocurrency mining. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Results of Operations.” We cannot assure you that our liquidity position will continue to improve in the future. We may incur losses, negative cash flows from operating activities and negative working capital position in the future, which may materially and adversely affect our business, prospects, liquidity, financial condition and results of operations.

We had an accumulated deficit of approximately RMB4,430.2 million (US$606.9 million) as of December 31, 2024. We generated negative cash flow from operating activities. If we are unable to achieve profitability, we will need to raise capital to cover our capital needs. There can be no assurance that we can obtain additional financing. Our ability to obtain additional financing is subject to a number of factors, which may be beyond our control. See “—We may not be able to obtain additional financing to support our business and operations, and our equity or debt financings may have an adverse effect on our business operations and share price.”

We have been transitioning our business focus and our results of operations may be materially and adversely affected.

Historically, we primarily operated and developed proprietary and licensed online games. We previously made significant investment in developing our own proprietary games as well as offering games licensed from game licensors. We do not believe that our past investment into and devotion to game development will contribute to our financial performance in the future. However, we continue to identify and act on business opportunities in the gaming industry, particularly licensing and operations of games from other developers. For instance, in May 2024, we obtained an exclusive publishing license from Wemade to distribute one of its games in the Chinese mainland, namely MIR M, and obtained strategic investment from Fine Vision Fund to develop our business related to Web3 gaming based on the same MIR M intellectual property rights. It is uncertain whether our current strategies operating in the gaming industry will generate the revenue required to succeed. If we fail to generate sufficient interests in the games we develop or publish, we may not grow revenue in line with the resources we invest in these new opportunities.

Prior to that, in early 2021, we decided to launch a cryptocurrency mining business and started to devote resources and establish collaborative relationships with industry participants to develop our cryptocurrency mining business. We began cryptocurrency mining activities in February 2021 and the operation of an NFT platform, NFTSTAR, in late 2021. In January 2023, we ceased operations of the NFT business and its related blockchain-based online game, MetaGoal. The decision to cease operations of the NFT business was primarily a result of unfavorable financial performance. We sold NFTSTAR Singapore pte. Ltd. and its subsidiaries to an unrelated third party in 2023 and we no longer operate an NFT business.

Our efforts in developing our cryptocurrency mining business may not succeed and we may not be able to generate sufficient revenue to cover our investment and become profitable. During this process, our results of operations and financial condition may not improve in a timely manner, or at all. Given the substantial uncertainties regarding the prospects of the cryptocurrency mining business, there can be no assurance that we will not change our business focus again in the future.

Our operating results may also suffer if our investments are not responsive to the needs of consumers or businesses, inappropriately timed with market opportunities, or marketed ineffectively. We may continue to explore other business opportunities. However, we cannot assure you that we will successfully transition our business focus and it is possible that we remain in such status for a certain period of time. During such period, our revenue may be very limited and we may continue to experience material and adverse effect to our results of operations, financial condition and business prospects.

In 2024, we have pivoted to the online gaming business again. Our strategy is based on creating operating joint ventures with various Chinese companies that have significant amounts of existing player/user bases and have AI powered marketing capabilities to attract more users to play our licensed MIR M game in the Chinese mainland. We have entered into four joint venture agreements under which we agreed to mutually operate various online game-related businesses with each respective joint venture partner. All joint venture partners shall contribute their players/user base to the respective joint venture companies. We have also sublicensed MIR M game for publishing and operations to Shaoxing Jiuyu Network Technology Co., Ltd. and sublicensed certain MIR M game-related rights to the other joint venture companies primarily responsible for marketing and other auxiliary business. Each joint venture has its own operational and profit targets for the next three years. The financial results of such joint ventures shall be consolidated in our financial statement. However, we cannot assure you that we will successfully implement this strategy and that our joint venture partners will perform their obligations under the agreements. We also cannot assure that these joint venture partners will perform their obligations under the joint venture agreements and/or that operations of the MIR M game and other game businesses will lead to the achievement of the profit targets.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may implement new lines of business or offer new products and services within our existing lines of business. For example, we operated an NFT business between 2021 and 2023 which we subsequently sold off. We maintain our cryptocurrency mining business, having begun cryptocurrency mining activities in February 2021. In 2024, we made four investments into the companies engaged in the AI industry and have been re-entering the online gaming business. We may enter into new lines of business in the future. See "—We have been transitioning our business focus and our results of operations may be materially and adversely affected."

As a new entrant into new lines of business, we face significant challenges, uncertainties and risks, including, among other things, with respect to our ability to:

- build a well-recognized and respected brand;
- establish and expand our customer base;
- improve and maintain our operational efficiency for new lines of business;
- maintain a reliable, secure, high-performance and scalable technology infrastructure for our new lines of business;
- anticipate and adapt to changing market conditions, including technological developments and changes in competitive landscape;
- navigate an evolving and complex regulatory environment, such as licensing and compliance requirements; and
- manage the resources and attention of management between our current core business and new lines of business.

Moreover, there can be no assurance that the introduction and development of new lines of business or new products and services would not encounter significant difficulties or delay or would achieve the profitability as we expect. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, results of operations and prospects. For example, with respect to our plan to develop our cryptocurrency mining business, we may not be able to acquire cryptocurrency mining machines at a reasonable cost, or at all. Due to our limited experience with cryptocurrency and its mining activities, we also face challenges and uncertainties relating to the possibility of success of our business. We cannot assure you that our efforts in entry into new business sectors, such as our development of cryptocurrency mining business or online gaming, will succeed. There can be no assurance that such operations will succeed or revert satisfactory results and our business, financial condition, results of operations and prospects may be materially and adversely affected.

As we enter into new business sectors, we are also subject to competition from such industry. For example, the cryptocurrency industry is highly competitive despite its relatively short history. There can be no assurance that we are able to compete effectively with respect to our new businesses. If we fail to establish our strengths or maintain our competitiveness in those industries, our business prospects, results of operations and financial condition may be materially and adversely affected.

We may not be able to obtain additional financing to support our business and operations, and our equity or debt financings may have an adverse effect on our business operations and share price.

We may continue to experience a material decrease in our cash and cash equivalents balance. We will require additional cash resources to fund our working capital and expenditure needs, such as acquisition costs of cryptocurrency mining machines, electricity expenses, product developments expenses, payment of license fees and royalties, sales and marketing activities, and investment or acquisition transactions.

Furthermore, we may further invest into Bitcoin mining machines in order to increase our global hash rate of Bitcoin mining. If our internal financial resources are insufficient to satisfy our cash requirements, we may seek additional financing through the issuance of equity securities or through debt financing, such as borrowings from commercial banks or other financial institutions or lenders. However, we cannot assure you that such efforts may succeed.

To meet our anticipated working capital needs, we are considering multiple alternatives. See “Item 5. Operating And Financial Review and Prospects—B. Liquidity and Capital Resources—Cash Flows and Working Capital.” There can be no assurance that we will be able to complete any such transaction on acceptable terms or at all. If we are unable to obtain the necessary capital, we may need to seek to be acquired by another entity or cease operations. Meanwhile, any equity or debt financing may result in dilution to our existing shareholders’ interests or an increase in our debt service obligations. We have entered into several equity and debt financing transactions that have such dilutive effect in the past few years and may continue to enter into such transactions from time to time. For details of our material equity and debt financing transactions, see “Item 4. Information on the Company—A. History and Development of the Company” and “Item 5. Operating And Financial Review And Prospects—B. Liquidity and Capital Resources—Cash Flows and Working Capital.”

Our ability to make scheduled principal or interest payments or to refinance our indebtedness depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as restructuring debt or obtaining additional equity capital. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. Incurrence of additional indebtedness could also result in operating and financing covenants restricting our business operations. In addition, we cannot assure you that any such future financing will be available to us in amounts or on terms acceptable to us, if at all. If we fail to obtain sufficient financing to fund our capital needs, our business, financial condition and results or operations could be materially and adversely affected.

Any change in the interpretive positions of the SEC or its staff with respect to digital asset mining firms could have a material adverse effect on us.

Section 5(a) of the Securities Act provides that, unless a registration statement is in effect as to a security, it is unlawful for any person, directly or indirectly, to engage in the offer or sale of securities in interstate commerce. Section 5(c) of the Securities Act provides a similar prohibition against offers to sell, or offers to buy, unless a registration statement has been filed. On March 20, 2025, the SEC's Division of Corporation Finance issued a statement expressing its view that certain proof-of-work crypto mining activities do not involve the offer and sale of securities, but such statement is non-binding interpretive guidance only. Although we do not believe our mining activities require registration for us to conduct such activities and accumulate digital assets, the SEC, the Commodity Futures Trading Commission, Nasdaq or other governmental or quasi-governmental agency or organization may conclude that our activities involve the offer or sale of "securities", or ownership of "investment securities", and we may face enhanced regulation under the Securities Act or the 1940 Act. Such regulation would have a material adverse effect on our business and operations. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us.

Deterioration in economic condition and escalation of geopolitical conflicts may create increased uncertainty and price changes, and we may face further restrictions on our liquidity due to unique risks related to recent crypto asset market developments.

We are subject to price volatility and uncertainty due to economic downturns and geopolitical conflicts. Such economic downturns and geopolitical conflicts may be a result of invasion, or possible invasion by one nation of another, leading to increased inflation and supply chain volatility. The Russia-Ukraine conflict, the Hamas-Israel conflict and the attacks on shipping in the Red Sea have heightened geopolitical tensions across the world. The impact of the Russia-Ukraine conflict on Ukraine food exports has contributed to increases in food prices and thus to inflation more generally. Announced trade tariffs on various countries by the Trump administration may further exacerbate inflation pressures in the U.S. and the globe. Such crises will likely continue to have an effect on our ability to do business in a cost-effective manner.

Inflation has caused the price of materials to increase leading to increased expenses to our business. Economic downturns and geopolitical conflicts may also have the effect of discouraging investment in risk assets, including stocks and Bitcoin, as investors shift their investments to less volatile assets. Such shift could have a materially adverse effect on our business, operations and the value of the Bitcoin we mine.

The risks to our liquidity and market outlook would include the following:

- Deteriorating macroeconomic conditions as a result of a potential recession, and trade tariff inflation pressure discussed in the media.
- U.S. government monetary policies and slower-than-expected interest rate cuts by the U.S. Federal Reserve Board may lead investors to rotate their investments out of the growth stocks, such as our stock, to the value stocks and fixed income instruments.
- Additional challenges arising from catastrophic events (such as the FTX collapse and multiple bankruptcies of Bitcoin mining companies in 2022 and 2023, and the biggest digital theft of Etherium worth 1.5 billion USD from Bybit crypto exchange in March 2025) that would adversely affect the credibility of, and therefore investor confidence in, companies engaged in the digital assets space.
- Additional declines in Bitcoin prices and/or production, and increases in electricity costs which could adversely impact both the value of our Bitcoin holdings and our ongoing profitability.
- US government's restrictive and ever-evolving policies on outbound investments in Chinese companies developing certain national security technologies, that may directly or indirectly impact investments in us.
- Further instability in the banking system and the collapse of more banking institutions could put the liquidity and cash assets of third parties with which we do business, such as miner hosting entities and suppliers, and us, at risk if we bank in the future with an institution which subsequently collapses.

The further development and acceptance of digital asset networks and other digital assets, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of digital asset systems may adversely affect an investment in us.

Digital assets such as Bitcoin, that may be used, among other things, to buy and sell goods and services are a new and rapidly evolving industry of which the digital asset networks are prominent, but not unique, parts. The growth of the digital asset industry in general, and the digital asset networks of Bitcoin in particular, are subject to a high degree of uncertainty. The factors affecting the further development of the digital asset industry, as well as the digital asset networks, include:

- continued worldwide growth in the adoption and use of Bitcoin and other digital assets;
- government and quasi-government regulation of Bitcoin and other digital assets and their use, or restrictions on or regulation of access to and operation of the digital asset network or similar digital assets systems
- the maintenance and development of the open-source software protocol of the Bitcoin network;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets;
- the impact of regulators focusing on digital assets and digital securities and the costs associated with such regulatory oversight; and
- a decline in the popularity or acceptance of the digital asset networks of Bitcoin, or similar digital asset systems, could adversely affect an investment in us.

Additionally, various governmental and regulatory bodies, including legislative and executive bodies, in the United States and in other countries may adopt new laws and regulations, the direction and timing of which may be influenced by changes in the governing administrations and major events in the cryptoeconomy. For example, following the failure of several prominent crypto trading venues and lending platforms, such as FTX, Celsius Networks, Voyager and Three Arrows Capital in 2022, the U.S. Congress expressed the need for both greater federal oversight of the cryptoeconomy and comprehensive cryptocurrency legislation. In the near future, various governmental and regulatory bodies, including in the United States, may introduce new policies, laws, and regulations relating to crypto assets and the cryptoeconomy generally, and crypto asset platforms in particular. The failures of risk management and other control functions at other companies that played a role in the above-mentioned events happened in 2022 could accelerate an existing regulatory trend toward stricter oversight of crypto asset platforms and the cryptoeconomy. Furthermore, new interpretations of existing laws and regulations may be issued by such bodies or the judiciary, which may adversely impact the development of the cryptoeconomy as a whole and our legal and regulatory status in particular by changing how we operate our business, how our products and services are regulated, and what products or services we and our competitors can offer, requiring changes to our compliance and risk mitigation measures, imposing new licensing requirements, or imposing a total ban on certain crypto asset transactions, as has occurred in certain jurisdictions in the past.

If we acquire digital securities, even unintentionally, we may violate the Investment Company Act of 1940 and incur potential third-party liabilities.

We intend to conduct our operations so that we are not required to register as an "investment company" pursuant to the 1940 Act. We are primarily engaged, through the Variable Interest Entity, in the operation of cryptocurrency mining and the online gaming business in the Chinese mainland market. Investment companies and their directors and management are subject to extensive regulation under the 1940 Act; this regulation is intended for the benefit and protection of investors. We are not subject to, and do not otherwise voluntarily comply with, these laws and regulations. This means, among other things, that the execution of or changes to our cryptocurrency strategy, the manner in which our cryptocurrency is custodied, our ability to engage in transactions with affiliated parties and our operating activities generally are not subject to the extensive legal and regulatory requirements and prohibitions that apply to investment companies. Section 3(a) (1) (C) of the 1940 Act defines "investment company" to mean any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis. Section 3(a) (2) of the 1940 Act defines "investment securities" to include all securities except (A) Government securities, (B) securities issued by employees' securities companies, and (C) securities issued by majority-owned subsidiaries which (i) are not investment companies and (ii) are not relying on the exception from the definition of investment company in section 3(c) (1) or 3(c) (7) of the 1940 Act. If holdings of certain cryptocurrencies are determined to constitute investment securities, as defined under the 1940 Act, the volatility in digital asset markets may make it difficult to maintain a portfolio consisting of no more than 40% of digital assets that are investment securities or could result in sales of digital assets to avoid exceeding this threshold, including at times that may not be opportune. While senior SEC officials have stated their view that bitcoin is not a "security" for purposes of the federal securities laws, a contrary determination by the SEC could have a material adverse effect on our ability to execute on our cryptocurrency strategy and may require us to substantially change the manner in which we conduct our business. In addition, if bitcoin is determined to constitute a security for purposes of the federal securities laws, the additional regulatory restrictions imposed by such a determination could adversely affect the market price of bitcoin and in turn adversely affect our business and the value of our ADSs.

Significant contributors to all or any digital asset network could propose amendments to the respective network's protocols and software that, if accepted and authorized by such network, could adversely affect an investment in us.

For example, with respect to Bitcoin network, a small group of individuals contribute to the Bitcoin Core project on GitHub.com. This group of contributors is currently headed by Wladimir J. van der Laan, the current lead maintainer. These individuals can propose refinements or improvements to the Bitcoin network's source code through one or more software upgrades that alter the protocols and software that govern the Bitcoin network and the properties of Bitcoin, including the irreversibility of transactions and limitations on the mining of new Bitcoin. Proposals for upgrades and discussions relating thereto take place on online forums. For example, there is an ongoing debate regarding altering the blockchain by increasing the size of blocks to accommodate a larger volume of transactions. Although some proponents support an increase, other market participants oppose an increase to the block size as it may deter miners from confirming transactions and concentrate power into a smaller group of miners. To the extent that a significant majority of the users and miners on the Bitcoin network install such software upgrade(s), the Bitcoin network would be subject to new protocols and software that may adversely affect an investment in us. In the event a developer or group of developers proposes a modification to the Bitcoin network that is not accepted by a majority of miners and users, but that is nonetheless accepted by a substantial plurality of miners and users, two or more competing and incompatible blockchain implementations could result. This is known as a "hard fork." In such a case, the "hard fork" in the blockchain could materially and adversely affect the perceived value of digital assets as reflected on one or both incompatible blockchains, which may adversely affect an investment in us.

The open-source structure of the Bitcoin network protocol means that the contributors to the protocol are generally not directly compensated for their contributions in maintaining and developing the protocol. A failure to properly monitor and upgrade the protocol could damage the Bitcoin network and an investment in us.

The Bitcoin network for example operates based on an open-source protocol maintained by contributors, largely on the Bitcoin Core project on GitHub. As an open-source project, Bitcoin is not represented by an official organization or authority. As the Bitcoin network protocol is not sold and its use does not generate revenues for contributors, contributors are generally not compensated for maintaining and updating the Bitcoin network protocol. Although the MIT Media Lab's Digital Currency Initiative funds the current maintainer Wladimir J. van der Laan, among other things, this type of financial incentive is not typical. The lack of guaranteed financial incentive for contributors to maintain or develop the Bitcoin network and the lack of guaranteed resources to adequately address emerging issues with the Bitcoin network may reduce incentives to address the issues adequately or in a timely manner. Changes to a digital asset network that we are mining on may adversely affect an investment in us.

If a malicious actor or botnet obtains control in excess of 50% of the processing power active on any digital asset network, including the Bitcoin network, it is possible that such actor or botnet could manipulate the blockchain in a manner that adversely affects an investment in us.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on any digital asset network, including the Bitcoin network, it may be able to alter the blockchain by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the miners on the blockchain can add valid blocks. In such alternate blocks, the malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new digital assets or transactions using such control. Using alternate blocks, the malicious actor could "double-spend" its own digital assets (i.e., spend the same digital assets in more than one transaction) and prevent the confirmation of other users' transactions for so long as it maintains control. To the extent that such malicious actor or botnet does not yield its majority control of the processing power or the digital asset community does not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible. Such changes could adversely affect an investment in us.

The approach towards and possible crossing of the 50% threshold indicate a greater risk that a single mining pool could exert authority over the validation of digital asset transactions. To the extent that the digital assets ecosystems do not act to ensure greater decentralization of digital asset mining processing power, the feasibility of a malicious actor obtaining in excess of 50% of the processing power on any digital asset network (e.g., through control of a large mining pool or through hacking such a mining pool) will increase, which may adversely impact an investment in us.

If the award of digital assets for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending hash rate to solve blocks and confirmations of transactions on the blockchain could be slowed temporarily. A reduction in the hash rate expended by miners on any digital asset network could increase the likelihood of a malicious actor obtaining control in excess of fifty percent (50)% of the aggregate hash rate active on such network or the blockchain, potentially permitting such actor to manipulate the blockchain in a manner that adversely affects an investment in us.

Bitcoin miners record transactions when they solve for and add blocks of information to the blockchain. When a miner solves for a block, it creates that block, which includes data relating to (i) the solution to the block, (ii) a reference to the prior block in the blockchain to which the new block is being added and (iii) all transactions that have occurred but have not yet been added to the blockchain. The miner becomes aware of outstanding, unrecorded transactions through the data packet transmission and propagation discussed above. Typically, Bitcoin transactions will be recorded in the next chronological block if the spending party has an internet connection and at least one minute has passed between the transaction's data packet transmission and the solution of the next block. If a transaction is not recorded in the next chronological block, it is usually recorded in the next block thereafter.

As the award of new digital assets for solving blocks declines, and if transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. For example, the primary cryptocurrencies for which we mine, Bitcoin, are subject to "halving," which is the process by which the cryptocurrency reward for solving a block is cut in half. The current fixed reward on the Bitcoin network for solving a new block is 3.125 Bitcoins per block, which is half of the previous reward of 6.25 Bitcoins. It is estimated that it will halve again in about three years. While Bitcoin prices have had a history of price fluctuations around the halving of their respective cryptocurrency rewards, there is no guarantee that the price change will be favorable or would compensate for the reduction in mining reward. This reduction may result in a reduction in the aggregate hash rate of the Bitcoin network as the incentive for miners will decrease. If a corresponding and proportionate increase in the trading price of these cryptocurrencies does not follow these anticipated halving events, the revenue we earn from our mining operations would see a corresponding decrease, which would have a material adverse effect on our business and operations.

Moreover, miners ceasing operations would reduce the aggregate hash rate on the Bitcoin network, which would adversely affect the confirmation process for transactions (i.e., temporarily decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for block solutions) and make the Bitcoin network more vulnerable to a malicious actor obtaining control in excess of 50% of the aggregate hash rate on the Bitcoin network. Periodically, the Bitcoin network has adjusted the difficulty for block solutions so that solution speeds remain in the vicinity of the expected ten-minute confirmation time targeted by the Bitcoin network protocol.

We believe that from time to time there will be further considerations and adjustments to the Bitcoin network, and others regarding the difficulty for block solutions. More significant reductions in aggregate hash rate on digital asset networks could result in material, though temporary, delays in block solution confirmation time. Any reduction in confidence in the confirmation process or aggregate hash rate of any digital asset network may negatively impact the value of digital assets, which will adversely impact an investment in us.

To the extent that the profit margins of digital asset mining operations are not high, operators of digital asset mining operations are more likely to immediately sell their digital assets earned by mining in the digital asset exchange market, resulting in a reduction in the price of digital assets that could adversely impact an investment in us.

Over the past few years, digital asset mining operations have evolved from individual users mining with computer processors, graphics processing units and first-generation servers. Currently, new processing power brought onto the digital asset networks is predominantly added by incorporated and unincorporated "professionalized" mining operations. Professionalized mining operations may use proprietary hardware or sophisticated machines. They require the investment of significant capital for the acquisition of this hardware, the leasing of operating space (often in data centers or warehousing facilities), incurring of electricity costs and the employment of technicians to operate the mining farms. As a result, professionalized mining operations are of a greater scale than prior miners and have more defined, regular expenses and liabilities. These regular expenses and liabilities require professionalized mining operations to more immediately sell digital assets earned from mining operations on the digital asset exchange market, whereas it is believed that individual miners in past years were more likely to hold newly mined digital assets for more extended periods. The immediate selling of newly mined digital assets greatly increases the supply of digital assets on the digital asset exchange market, creating downward pressure on the price of each digital asset.

The extent to which the value of digital assets mined by a professionalized mining operation exceeds the allocable capital and operating costs determines the profit margin of such operation. A professionalized mining operation may be more likely to sell a higher percentage of its newly mined digital assets rapidly if it is operating at a low profit margin—and it may partially or completely cease operations if its profit margin is negative. In a low profit margin environment, a higher percentage could be sold into the digital asset exchange market more rapidly, thereby potentially reducing digital asset prices. Lower digital asset prices could result in further tightening of profit margins, particularly for professionalized mining operations with higher costs and more limited capital reserves, creating a network effect that may further reduce the price of digital assets until mining operations with higher operating costs become unprofitable and remove mining power from the respective digital asset network. The network effect of reduced profit margins resulting in greater sales of newly mined digital assets could result in a reduction in the price of digital assets that could adversely impact an investment in us.

The cost of obtaining new and replacement miners and parts has historically been capital intensive, and is likely to continue to be very capital intensive, which may have a material and adverse effect on our business and results of operations.

Our mining operations can only be successful and ultimately profitable if the costs, including hardware and electricity costs, associated with mining cryptocurrencies are lower than the price of the cryptocurrencies we mine when we sell them. Our miners experience ordinary wear and tear from operation and may also face more significant malfunctions caused by factors which may be beyond our control. Additionally, as the technology evolves, we may acquire newer models of miners to remain competitive in the market. Over time, we replace those miners which are no longer functional with new miners purchased from third-party manufacturers, who are primarily based in Asia. The delivery times of the new miners are not guaranteed even if agreed upon in the purchase contracts. The manufacturers of mining equipment may not be able to produce and deliver on time due to the shortage of production materials, such as memory chips etc.

For example, in March 2021, our wholly owned subsidiary NBTC Limited signed a Bitcoin mining machine purchase agreement with Bitmain Technologies Limited. Pursuant to the purchase agreement, we would purchase 24,000 Antminer S19j Bitcoin mining machines, which are scheduled to deliver starting from November 2021, for a total consideration of US$82.8 million payable in installments according to the agreed time schedule. As of the date of this annual report, all consideration has been paid. The miners will eventually become obsolete or will degrade due to ordinary wear and tear from usage, and may also be lost or damaged due to factors outside of our control. Once this happens, these new miners will need to be repaired or replaced along with other equipment from time to time for us to stay competitive. This upgrading process requires substantial capital investment, and we may face challenges in doing so on a timely and cost-effective basis based on availability of new miners and our access to adequate capital resources. If we are unable to obtain adequate numbers of new and replacement miners at scale, we may be unable to remain competitive in our highly competitive and evolving industry. If this happens, we may not be able to mine cryptocurrency as efficiently or in similar amounts as our competition and, as a result, our business and financial results could suffer. This could, in turn, materially and adversely affect the trading price of our securities and our investors could lose part or all of their investment.

The price of new miners may be linked to the market price of Bitcoin and other cryptocurrencies, and, if the current relatively high market price of Bitcoin persists, our costs of obtaining new and replacement miners may increase, which may have a material and adverse effect on our financial condition and results of operations.

Reports have been released that the prices of new miners are adjusted according to the price of Bitcoin. As a result, the cost of new machines can be unpredictable, and could also be significantly higher than our historical cost for new miners. Similarly, as Bitcoin prices have risen, we have observed significant increase in the demand for miners. As a result, at times, we may obtain Bitmain miners and other hardware from Bitmain or from third parties at higher prices, to the extent they are available. For example, in the first quarter of 2021, we have observed a significant appreciation in the market price of Bitcoin, as well as an increase in the per-unit price of the new Bitmain Antminer model S19j miners we purchased during this same period. While we cannot know definitively if these two phenomena are linked, we have seen a measurable increase in the prices for new miners offered by Bitmain.

As disclosed in this annual report, our financial condition and results of operations are dependent on our ability to sell the Bitcoin we mine at a price greater than our costs to produce that Bitcoin. As the price for new miners we buy increases, our cost to produce a single Bitcoin also increases, therefore requiring a corresponding increase in the price of Bitcoin for us to maintain our results of operations. Market prices for Bitcoin have fluctuated greatly, to the extent that we are unable to reasonably predict future prices for the Bitcoin we mine.

We incur significant up-front capital costs each time we acquire new miners, and, if future prices of Bitcoin are not sufficiently high, we may not realize the benefit of these capital expenditures. If this occurs, our business, results of operations, and financial condition could be materially and adversely affected, which may have a negative impact on the trading price of our securities, which may have a materially adverse impact on investors' investment in our Company.

Our mining operating costs could outpace our mining revenues, which could seriously harm our business or increase our losses.

Our mining operations are costly and our expenses may increase in the future. This expense increase may not be offset by a corresponding increase in revenue. Our expenses may be greater than we anticipate, and our investments to make our business more efficient may not succeed and may outpace monetization efforts. Increases in our costs without a corresponding increase in our revenue would increase our losses and could seriously harm our business and financial performance.

There is a possibility of cryptocurrency mining algorithms transitioning to proof of stake validation and other mining related risks, which could make us less competitive and ultimately adversely affect our business and the value of our stock.

Proof of stake is an alternative method in validating cryptocurrency transactions. Should the algorithm shift from a proof of work validation method to a proof of stake method, mining would likely require less energy, which may render any company that maintains advantages in the current climate (for example, from lower priced electricity, processing, real estate, or hosting) less competitive. We, as a result of our efforts to optimize and improve the efficiency of our cryptocurrency mining operations, may be exposed to the risk in the future of losing the benefit of our capital investments and the competitive advantage we hope to gain from this as a result, and may be negatively impacted if a switch to proof of stake validation were to occur. Such events could have a material adverse effect on our ability to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account.

Because our miners are designed specifically to mine Bitcoin, our future success will depend in large part upon the value of Bitcoin, and any sustained decline in its value could adversely affect our business and results of operations.

Our operating results will depend in large part upon the value of Bitcoin because it is the primary cryptocurrency we currently mine. Specifically, our revenues from our Bitcoin mining operations are based upon two factors: (1) the number of Bitcoin rewards we successfully mine and (2) the value of Bitcoin. In addition, our operating results are directly impacted by changes in the value of Bitcoin, because under the value measurement model, we measure at fair value on the date earned. Fair value of the cryptocurrency award earned and received is determined using the quoted price of the related cryptocurrency at the time the amount of reward in cryptocurrency we earned, which is determined by our mining pool operator based on our computing power contributed to the mining pool on a daily basis. Under the guidance of the Financial Accounting Standards Board, we may be required to change its policies, which could have an effect on our consolidated financial position and results from operations. This means that our operating results will be subject to daily increases or decreases in the value of Bitcoin. Furthermore, our business strategy focuses almost entirely on producing Bitcoin (as opposed to other cryptocurrencies), and our current application- specific integrated circuit miners principally utilize the "**SHA-256 algorithm**," which is designed primarily for mining Bitcoin. We, therefore, cannot use these miners to mine other cryptocurrencies, such as ether, that are not mined utilizing this algorithm. If other cryptocurrencies overtake Bitcoin in terms of acceptance, the value of Bitcoin could decline. Further, if Bitcoin were to switch its proof of work algorithm from SHA-256 to another algorithm for which our miners would not be suited or if the value of Bitcoin were to decline for other reasons, particularly if such decline were significant or over an extended period of time, we would likely incur very significant costs in retooling or replacing our existing miners with miners better suited for this new protocols and our operating results could be adversely affected. This could result in a material adverse effect on our ability to pursue our business strategy at all, which could have a material adverse effect on our business, prospects or operations, and thus harm investors.

Our mining operations, including the facilities in which our miners are operated, may experience damages, including damages that are not covered by insurance.

Our current mining operation in various countries is and any future mines we establish will be, subject to a variety of risks relating to physical condition and operation, including, but not limited to:

- the presence of construction or repair defects or other structural or building damage;
- any noncompliance with or liabilities under applicable environmental, health or safety regulations or requirements or building permit requirements;
- any damage resulting from natural disasters, such as hurricanes, earthquakes, fires, floods and windstorms;
- unreasonable detaining or seizure of the miners due to the data center provider's breach or default; and
- claims by employees and others for injuries sustained at our properties.

For example, our or our partners' mining facilities could be rendered inoperable, temporarily or permanently, as a result of a fire or other natural disaster or by a terrorist or other attack on the mine. The security and other measures we take to protect against these risks may not be sufficient. Additionally, we may lose access to mining facilities due to various reasons, including unreasonable access restrictions by our partners, blackmailing or theft of our mining equipment. We could be materially and adversely affected by a power outage or loss of access to the electrical grid or loss by the grid of cost-effective sources of electrical power generating capacity. Given the power requirement, it would not be feasible to run miners on back-up power generators in the event of a power outage. Insurance which we may purchase from the market may not cover the replacement cost of any lost or damaged miners, or any interruption of our mining activities; therefore our insurance may not be adequate to cover the losses we suffer as a result of any of these events. In the event of an uninsured loss, including a loss in excess of insured limits, at any of the mining facilities in our network, such mining facilities may not be adequately repaired in a timely manner or at all and we may lose some or all of the future revenues anticipated to be derived from such mines. The potential impact on our business may be magnified as we further expand operations in various countries.

We are subject to risks arising from our need for significant electrical power.

Our Bitcoin mining operations have required significant amounts of electrical power, and, as we continue to expand our mining fleet, we anticipate our demand for electrical power will continue to grow. If we are unable to continue to obtain sufficient electrical power to operate our miners on a cost-effective basis, we may not realize the anticipated benefits of our significant capital investments in new miners.

Additionally, our mining operations could be materially and adversely affected by prolonged power outages. Although our miners may be powered by backup generators on a temporary basis, it would not be feasible or cost-effective to run miners on back-up power generators for extended periods of time. Therefore, we may have to reduce or cease our operations in the event of an extended power outage, or as a result of the unavailability or increased cost of electrical power. If this were to occur, our business and results of operations could be materially and adversely affected, and investors in our securities could be harmed.

To the extent that any miners cease to record transactions in solved blocks, transactions that do not include the payment of a transaction fee will not be recorded on the blockchain until a block is solved by a miner who does not require the payment of transaction fees. Any widespread delays in the recording of transactions could result in a loss of confidence in that digital asset network, which could adversely impact an investment in us.

To the extent that any miners cease to record transaction in solved blocks, such transactions will not be recorded on the blockchain. Currently, there are no known incentives for miners to elect to exclude the recording of transactions in solved blocks; however, to the extent that any such incentives arise (e.g., a collective movement among miners or one or more mining pools forcing Bitcoin users to pay transaction fees as a substitute for or in addition to the award of new Bitcoin upon the solving of a block), actions of miners solving a significant number of blocks could delay the recording and confirmation of transactions on the blockchain. Any systemic delays in the recording and confirmation of transactions on the blockchain could result in greater exposure to double-spending transactions and a loss of confidence in certain or all digital asset networks, which could adversely impact an investment in us.

The acceptance of digital asset network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in any digital asset network could result in a "fork" in the respective blockchain, resulting in the operation of two separate networks until such time as the forked blockchains are merged. The temporary or permanent existence of forked blockchains could adversely impact an investment in us.

Digital asset networks are open-source projects and, although there is an influential group of leaders in, for example, the Bitcoin network community known as the "**Core Developers**," there is no official developer or group of developers that formally controls the Bitcoin network. Any individual can download the Bitcoin network software and make any desired modifications, which are proposed to users and miners on the Bitcoin network through software downloads and upgrades, typically posted to the Bitcoin development forum on GitHub.com. A substantial majority of miners and Bitcoin users must consent to those software modifications by downloading the altered software or upgrade that implements the changes; otherwise, the changes do not become a part of the Bitcoin network. Since the Bitcoin network's inception, changes to the Bitcoin network have been accepted by the vast majority of users and miners, ensuring that the Bitcoin network remains a coherent economic system; however, a developer or group of developers could potentially propose a modification to the Bitcoin network that is not accepted by a vast majority of miners and users, but that is nonetheless accepted by a substantial population of participants in the Bitcoin network. In such a case, and if the modification is material and/or not backwards compatible with the prior version of Bitcoin network software, the consequence would be what is known as a "fork" of the network, resulting in two separate Bitcoin networks, one running the pre-modification software program and the other running the modified version (i.e., a second "**Bitcoin**" network). The effect of such a fork would be the existence of two versions of the cryptocurrency running in parallel, yet lacking interchangeability and necessitating exchange-type transaction to convert currencies between the two forks. Additionally, it may be unclear following a fork which fork represents the original asset and which is the new asset.

Such a fork in the blockchain typically would be addressed by community-led efforts to merge the forked blockchains, and several prior forks have been so merged. Different metrics adopted by industry participants to determine which is the original asset include: referring to the wishes of the core developers of a cryptocurrency, blockchains with the greatest amount of hashing power contributed by miners or validators; or blockchains with the longest chain. This kind of split in the Bitcoin network could materially and adversely impact an investment in us and, in the worst-case scenario, harm the sustainability of the Bitcoin network's economy.

We may not be able to realize the economic benefit of a fork, either immediately or ever, which could adversely affect an investment in our securities. If we hold a cryptocurrency at the time of a hard fork into two cryptocurrencies, industry standards would dictate that we would be expected to hold an equivalent amount of the old and new assets following the fork. However, we may not be able, or it may not be practical, to secure or realize the economic benefit of the new asset for various reasons. For instance, we may determine that there is no safe or practical way to custody the new asset, that trying to do so may pose an unacceptable risk to our holdings in the old asset, or that the costs of taking possession and/or maintaining ownership of the new cryptocurrency exceed the benefits of owning the new cryptocurrency. Additionally, laws, regulation or other factors may prevent us from benefitting from the new asset even if there is a safe and practical way to custody and secure the new asset.

The digital asset exchanges on which digital assets trade are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure than established, regulated exchanges for other products. To the extent that the digital asset exchanges representing a substantial portion of the volume in digital asset trading are involved in fraud or experience security failures or other operational issues, such digital asset exchanges' failures may result in a reduction in the price of some or all digital assets and can adversely affect an investment in us.

The digital asset exchanges on which the digital assets trade are new and, in most cases, largely unregulated. Furthermore, many digital asset exchanges (including several of the most prominent U.S. dollar denominated digital asset exchanges) do not provide the public with significant information regarding their ownership structure, management teams, corporate practices or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, digital asset exchanges, including prominent exchanges handling a significant portion of the volume of digital asset trading. In 2022, a number of digital asset exchanges filed for bankruptcy proceedings and/or became the subjects of investigation by various governmental agencies for, among other things, fraud, causing a loss of confidence and an increase in negative publicity for the digital asset ecosystem. As a result, many digital asset markets, including the market for Bitcoin, have experienced increased price volatility. The Bitcoin ecosystem may continue to be negatively impacted and experience long term volatility if public confidence decreases.

These events are continuing to develop and it is not possible to predict, at this time, every risk that they may pose to us, our service providers, or the digital asset industry as a whole.

A lack of stability in the digital asset exchange market and the closure or temporary shutdown of digital asset exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in the digital asset networks and result in greater volatility in digital asset values. These potential consequences of a digital asset exchange's failure could adversely affect an investment in us.

The failure of financially troubled cryptocurrency-based companies impacts the broader crypto economy.

The failure of several crypto platforms has impacted and may continue to impact the broader crypto economy; the full extent of these impacts may not yet be known. Bitcoin is part of the cryptocurrency environment and is subject to price volatility resulting from financial instability, poor business practices, and fraudulent activities of players in the cryptocurrency market. When investors in cryptocurrency and cryptocurrency-based companies experience financial difficulty as a result of price volatility, poor business practices, and/or fraud, it has, and may cause loss of confidence in the cryptocurrency space, reputational harm to cryptocurrency assets, heightened scrutiny by regulatory authorities and law makers, and a steep decline in the value of Bitcoin, among other material impacts. Such adverse effects have, and may in the future, affect the profitability of our Bitcoin mining operations.

Deterioration in economic condition and escalation of geopolitical conflicts may motivate large-scale sales of digital assets, which could result in a reduction in some or all digital assets' values and adversely affect an investment in us.

As an alternative to fiat currencies that are backed by central governments, digital assets such as Bitcoin, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical conflicts. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of digital assets either globally or locally. Large-scale sales of digital assets would result in a reduction in their value and could adversely affect an investment in us.

Further, deterioration in economic condition and escalation of geopolitical conflicts may create increased uncertainty and price changes. Inflation has caused the price of materials to increase leading to increased expenses to our business. Global crises and economic downturns may also have the effect of discouraging investment in Bitcoin as investors shift their investments to less volatile assets. Such shift could have a materially adverse effect on our business, operations and the value of the Bitcoin we mine or the institutional data center clients we host.

Our ability to adopt technology in response to changing security needs or trends poses a challenge to the safekeeping of our digital assets.

The history of digital asset exchanges has shown that exchanges and large holders of digital assets must adapt to technological change in order to secure and safeguard their digital assets. We largely rely on cold storage solution to safeguard our digital assets from theft, loss, destruction or other issues relating to hackers and technological attack. Our digital assets will also be moved to various exchanges in order to exchange them for fiat currency during which time we will be relying on the security of such exchanges to safeguard our digital assets. We believe that it may become a more appealing target of security threats as the size of our Bitcoin holdings grow. To the extent that either our designated custodian of crypto assets or we are unable to identify and mitigate or stop new security threats, our digital assets may be subject to theft, loss, destruction or other attack, which could adversely affect an investment in us.

Security threats to us could result in, a loss of our digital assets, or damage to the reputation and our brand, each of which could adversely affect an investment in us.

Security breaches, computer malware and computer hacking attacks have been a prevalent concern in the digital asset exchange markets, for example since the launch of the Bitcoin network. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses, could harm our business operations or result in loss of our digital assets. Any breach of our infrastructure could result in damage to our reputation which could adversely affect an investment in us. Furthermore, we believe that, as our assets grow, it may become a more appealing target for security threats such as hackers and malware.

We primarily rely on cold self-storage to safeguard our digital assets from theft, loss, destruction or other issues relating to hackers and technological attack. Nevertheless, our designated self-custody security system may not be impenetrable and may not be free from defect or immune to acts of God, and we will bear any loss due to a security breach, software defect or act of God.

The security system and operational infrastructure may be breached due to the actions of outside parties, error or malfeasance of an employee of ours, or otherwise, and, as a result, an unauthorized party may obtain access to our, private keys, data or Bitcoin. Additionally, outside parties may attempt to fraudulently induce employees of ours to disclose sensitive information in order to gain access to our infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our security system occurs, the market perception of the effectiveness of our security system could be harmed, which could adversely affect an investment in us.

In the event of a security breach, we may be forced to cease operations, or suffer a reduction in assets, the occurrence of each of which could adversely affect an investment in us.

A loss of confidence in our security system, or a breach of our security system, may adversely affect us and the value of an investment in us.

We will take measures to protect us and our digital assets from unauthorized access, damage or theft; however, it is possible that the security system may not prevent the improper access to, or damage or theft of our digital assets. A security breach could harm our reputation or result in the loss of some or all of our digital assets. A resulting perception that our measures do not adequately protect our digital assets could result in a loss of current or potential shareholders, reducing demand for our Class A ordinary shares or the ADSs and causing our shares to decrease in value.

Digital asset transactions are irrevocable and stolen or incorrectly transferred digital assets may be irretrievable. As a result, any incorrectly executed digital asset transactions could adversely affect an investment in us.

Digital asset transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction or, in theory, control or consent of a majority of the processing power on the respective digital asset network. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of digital assets or a theft of digital assets generally will not be reversible, and we may not be capable of seeking compensation for any such transfer or theft. Although our transfers of digital assets will regularly be made to or from vendors, consultants, services providers, among others, it is possible that, through computer or human error, or through theft or criminal action, our digital assets could be transferred from us in incorrect amounts or to unauthorized third parties. To the extent that we are unable to seek a corrective transaction with such third party or are incapable of identifying the third party which has received our digital assets through error or theft, we will be unable to revert or otherwise recover incorrectly transferred Company digital assets. To the extent that we are unable to seek redress for such error or theft, such loss could adversely affect an investment in us.

The limited rights of legal recourse against us, and our lack of insurance protection expose us and our shareholders to the risk of loss of our digital assets for which no person is liable.

We have limited insurance coverage, including that covering our crypto assets which may be held in the custody accounts at custodians of the crypto assets, subject to the policy caps. A loss may be suffered with respect to our digital assets which is not covered by insurance and for which no person is liable in damages which could adversely affect our operations and, consequently, an investment in us.

Digital assets we held are not subject to protections from the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation.

We do not hold our digital assets with a banking institution or a member of the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation and, therefore, our digital assets are not subject to the protections enjoyed by depositors with the member institutions of the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation.

We may not have adequate sources of recovery if our digital assets are lost, stolen or destroyed.

If our digital assets are lost, stolen or destroyed under circumstances rendering a party liable to us, the responsible party may not have the financial resources sufficient to satisfy our claim. For example, as to a particular event of loss, the only source of recovery for us might be limited, to the extent identifiable, other responsible third parties (e.g., a thief or terrorist), any of which may not have the financial resources (including liability insurance coverage) to satisfy a valid claim of ours.

The sale of our digital assets to pay expenses at a time of low digital asset prices could adversely affect an investment in us.

We may sell our digital assets to pay expenses on an as-needed basis, irrespective of then-current prices. Consequently, our digital assets may be sold at a time when the prices on the respective digital asset exchange market are low, which could adversely affect an investment in us.

Regulatory changes or actions may restrict the use of Bitcoin or the operation of the Bitcoin network in a manner that adversely affects an investment in us.

As Bitcoin has grown in popularity and in market size, the Federal Reserve Board, U.S. Congress and certain U.S. agencies (e.g., the Commodity Futures Trading Commission, the SEC, the FinCEN and the Federal Bureau of Investigation) have begun to examine the operations of the Bitcoin network, Bitcoin users and the Bitcoin exchange market.

Digital assets currently face an uncertain regulatory landscape in not only the United States but also in many foreign jurisdictions such as the European Union, China and Russia. While certain governments such as China, where PRC authorities have declared that virtual currencies do not have the same legal status as legal currency, most regulatory bodies have expressed intention to regulate crypto assets, although any determinations on regulation of Bitcoin, the Bitcoin network and Bitcoin users are not definite as of the date of this report.

The effect of any future regulatory change on us, Bitcoin, or other digital assets is impossible to predict, but such change could be substantial and adverse to us and could adversely affect an investment in us.

We currently have a limited U.S. presence and do not proactively offer services in the United States or to U.S. persons.

Our subsidiary, NBTC US Ltd, has entered into a hosting agreement with a third-party data center by which the third party agreed to host our mining machines in its data center located in Texas. Under a 12-month hosting agreement, the third party provides electricity, hosting service, and other services to the Company mining operations. We may occasionally sell a portion of Bitcoin mined in Texas, including through third-party exchanges for our own account.

Since January 2023, we no longer mint or offer NFTs, or provide any services related to previously minted NFTs. NFTs we previously issued may continue to be available on third-party trading sites that we do not operate or control. Before the sale of NFTSTAR to a third party in 2023, we received royalties from secondary sales of previously issued NFTs which only amounted to RMB26 thousand.

We continue to evaluate its U.S. compliance obligations in light of its evolving business lines.

Our operations may be subject to enhanced regulation by financial regulators.

Cryptocurrencies, generally, may be subject to certain U.S. regulatory regimes. The application of any of these regimes could result in a materially adverse impact on our financial condition and operations.

For example, the Commodity Futures Trading Commission has stated that cryptocurrencies fall within the definition of "commodities." If cryptocurrencies were deemed to be commodities, transactions over cryptocurrencies could be subject to prohibitions on deceptive and manipulative trading or restrictions on manner of trading (e.g., on a registered derivatives exchange), depending on how the transaction is conducted.

In addition, if regulatory changes or interpretations of our activities require registration as a money services business under the regulations promulgated by the FinCEN under the authority of the U.S. Bank Secrecy Act or as a money transmitter or a digital currency business under state regimes (e.g., New York) for the licensing of such businesses, we could suffer reputational harm and also extraordinary, recurring and/or nonrecurring expenses, which would adversely impact an investment in us.

Certain of our operations are subject to U.S. economic sanctions programs, including those administered by the U.S. Treasury Department's Office of Foreign Assets Control, or **OFAC**. As a result of doing business in foreign countries and with foreign partners, we may be exposed to a heightened risk of violating OFAC sanctions laws and regulations.

Any failure to obtain or maintain necessary governmental licenses and authorizations could adversely affect our business and results of operations.

We maintain necessary governmental licenses and authorizations in the jurisdictions in which we operate, where we understand they are required. Specifically, we have obtained the requisite licenses in certain jurisdictions to the extent that the laws and regulations of such jurisdictions clearly indicate that a license is required or where the regulators of such jurisdictions have advised us that we need a license to operate. We also operate in jurisdictions where we do not believe we are required, or where we have been informed by these jurisdictions that we are not required, to obtain certain licenses. To the extent that the laws and regulations of certain jurisdictions clearly indicate that a license is required or where the regulators of such jurisdictions have advised us that we need a license to operate, and we have not obtained such licenses or registrations, then we do not operate the jurisdictions.

As noted above, our customers include persons who are located or reside in jurisdictions where we do not believe we are required, or where we have been informed by these jurisdictions that we are not required, to obtain certain licenses. It is possible that the authorities in those jurisdictions may take the position that we are required to obtain licenses or otherwise comply with local laws and regulations in order to conduct our business with persons located or who reside in those jurisdictions. Complying with such laws and regulations may require substantial expense, and any non-compliance may expose us to liabilities. In the event of non-compliance, we may have to incur significant expenses and divert substantial management time to rectify the incidents. In the future, if we fail to obtain all the necessary approvals, licenses, permits and certifications, we may be subject to fines or the suspension of operations that do not have all the requisite approvals, licenses, permits and certifications, which could materially and adversely affect our business and results of operations. We may also experience adverse publicity arising from non-compliance with government regulations, which would negatively impact our reputation.

In any jurisdiction, if we fail to comply with the regulatory requirements, we may risk being disqualified for our existing businesses or being rejected for renewal of our qualifications and/or licenses upon expiry by the regulatory authorities as well as other penalties, fines, or sanctions. In respect of any new business that we may contemplate, we may not be able to obtain the approvals for developing such new business if we fail to comply with the regulations and regulatory requirements. As a result, we may fail to develop new business as planned, or we may fall behind our competitors in such businesses.

In any jurisdiction in which we operate, to the extent that we are required to obtain government licenses or approvals, there is no assurance that we will be able to fulfill all the conditions necessary to obtain the required government approvals, or that government officials will always, if ever, exercise their discretion in our favor, or that we will be able to adapt to any new laws, regulations and policies. There may also be delays on the part of government authorities in reviewing our applications and granting approvals, whether due to the lack of human resources or the imposition of new rules, regulations, government policies or their implementation, interpretation and enforcement. If we are unable to obtain, or experiences material delays in obtaining, necessary government approvals, our operations may be substantially disrupted or discontinued, which could materially and adversely affect our business, financial condition and results of operations.

As we continue to expand and localize our international activities, our obligations to comply with the laws, rules, regulations and policies of a variety of jurisdictions will increase and we may be subject to investigations and enforcement actions by U.S. and non-U.S. regulators and governmental authorities.

As we expand and localize our international activities, we have become increasingly obligated to comply with the laws, rules, regulations, policies, and legal interpretations not only the jurisdictions in which we operate but also those into which we offer services on a cross-border basis. Laws regulating financial services, the internet, mobile technologies, crypto, and related technologies outside the United States often impose different, more specific, or even conflicting obligations on us, as well as broader liability.

Regulators throughout the world frequently study each other’s approaches to the regulation of the crypto economy. Consequently, developments in any jurisdiction may influence other jurisdictions. New developments in one jurisdiction may be extended to additional services and other jurisdictions. As a result, the risks created by any new law or regulation in one jurisdiction are magnified by the potential that they may be replicated, affecting our business in another place or involving another service. Conversely, if regulations diverge throughout the world, we may face difficulty adjusting our products, services, and other aspects of our business with the same effect. These risks are heightened as we face increased competitive pressure from other similarly situated businesses that engage in regulatory arbitrage to avoid the compliance costs associated with regulatory changes.

The complexity of U.S. federal and state and international regulatory and enforcement regimes, coupled with the global scope of our operations and the evolving global regulatory environment, could result in a single event prompting a large number of overlapping investigations and legal and regulatory proceedings by multiple government authorities in different jurisdictions. Any of the foregoing could, individually or in the aggregate, harm our reputation, damage our brands and business, and adversely affect our operating results and financial condition. Due to the uncertain application of existing laws and regulations, certain of our products or services may become subject to financial regulation, licensing, or authorization obligations that we have not obtained or with which we have not complied. As a result, we are at a heightened risk of enforcement action, litigation, regulatory, and legal scrutiny which could lead to sanctions, cease, and desist orders, or other penalties and censures which could significantly and adversely affect our continued operations and financial condition.

It may be illegal now, or in the future, to acquire, own, hold, sell or use digital assets in one or more countries, and ownership of, holding or trading in our securities may also be considered illegal and subject to sanction.

Currently, digital assets are not regulated or are lightly regulated in most countries, including the United States. In September 2021, PRC authorities issued the new regulations which made it clear that virtual currencies do not have the same legal status as legal currency, and virtual currency-related activities are illegal financial activities, strictly prohibiting new virtual currency mining projects, and accelerating the orderly withdrawal of the stock of projects. Provision of services by overseas virtual currency exchanges to mainland China residents via the internet is also considered to be an illegal financial activity. Subject to the new regulations, it is forbidden to invest in incremental projects and to develop virtual currency mining projects in any name. The virtual currency mining activities have been treated as the eliminated industry, and listed as the eliminated industries into Catalogue for Guiding Industry Restructuring (2024 version). One or more countries may take regulatory actions in the future that severely restricts the right to acquire, own, hold, sell or use digital assets or to exchange digital assets for fiat currency. Such an action may also result in the restriction of ownership, holding or trading in our securities. Such restrictions may adversely affect an investment in us.

The loss or destruction of a private key required to access a digital asset may be irreversible. Our loss of access to our private keys or our experience of a data loss relating to our Company's digital assets could adversely affect an investment in our Company.

Digital assets are controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the digital assets are held. We are required by the operation of digital asset networks to publish the public key relating to a digital wallet we use when it first verifies a spending transaction from that digital wallet and disseminates such information into the respective network. We safeguard and keep private the private keys relating to our digital assets; to the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, we will be unable to access the digital assets held by it and the private key will not be capable of being restored by the respective digital asset network. Any loss of private keys relating to digital wallets used to store our digital assets could adversely affect an investment in us.

Because we may, from time to time, hold our digital assets at digital asset exchanges, we face heightened risks from cybersecurity attacks and financial stability of digital asset exchanges.

We may transfer our digital asset from our wallet to digital asset exchanges prior to selling them. Digital assets not held in our wallet are subject to the risks encountered by digital asset exchanges including a dDoS Attack or other malicious hacking, a sale of the digital asset exchange, loss of the digital assets by the digital asset exchange and other risks similar to those described herein. While we may have a custodian agreement with various providers that hold our digital assets, these digital asset custodians provide only limited insurance over all crypto assets under their custody, and may lack the resources to protect against hacking and theft. If this were to occur, we may be materially and adversely affected.

We hold mined Bitcoin as current assets. We may occasionally sell portion of mined Bitcoin to cover our operational costs. We may sell Bitcoin through various exchanges, including Binance. We received all previously pledged Bitcoins from Binance in 2024. As for the Filecoin, we keep them in the hot wallet and use our holdings to participate in direct staking. We may sell all or portion of our Filecoin gradually.

Fluctuations in the price of Bitcoin may significantly influence the market price of our Class A ordinary shares or the ADSs

To the extent investors view the value of our Class A ordinary shares or the ADSs as linked to the value or change in the value of our Bitcoin, fluctuations in the price of Bitcoin may significantly influence the market price of our Class A ordinary shares or the ADSs.

Our gaming business is intensely competitive. We face the risks of changing consumer preferences and uncertainty about market acceptance of our new products. If we do not deliver new products to the market, or if consumers prefer our competitors' products or services over those we provide, our operating results will suffer.

In 2024, we have pivoted to the online gaming business again. Our strategy is based on creating operating joint ventures with various Chinese companies that have significant amounts of existing player/user bases and have AI-powered marketing capabilities to attract more users to play our licensed MIR M game in the Chinese mainland. We have entered into four joint venture agreements under which we agreed to mutually operate various online game-related businesses with each respective joint venture partner. All joint venture partners shall contribute their players/user base to the respective joint venture companies. We have also sublicensed MIR M game for publishing and operations to Shaoxing Jiuyu Network Technology Co., Ltd. and sublicensed certain MIR M game-related rights to the other joint venture companies primarily responsible for marketing and other auxiliary business. Each joint venture has its own operational and profit targets up to three years. The financial results of such joint ventures shall be consolidated in our financial statement. However, we cannot assure you that we will successfully implement this strategy and that our joint venture partners will perform their obligations under the agreements. We also cannot assure that these joint venture partners will perform their obligations under the joint venture agreements and/or that operations of the MIR M game and other game businesses will lead to the achievement of the profit targets.

The online game industry is constantly evolving in China. Customer demand for and market acceptance of our online games is subject to a high degree of uncertainty. Our future operating results will depend on numerous factors beyond our control. These factors include, among others:

- the ability of our existing and potentially new online games to gain popularity;
- customer demand for PC, mobile, and web games;
- our ability to adopt and stay abreast of any new gaming technologies;
- competition against game developers and operators in and outside China;
- general economic conditions, particularly economic conditions affecting discretionary consumer spending;
- our ability to anticipate and timely and successfully adapt our product and service offerings constantly changing customer tastes and preferences
- the availability of other forms of entertainment;
- customer demand for our in-game items; and
- critical reviews and public reception of our new products.

Our ability to plan for product development and distribution and promotional activities will be significantly affected by our ability to anticipate and adapt to relatively rapid changes in consumer tastes and preferences. A decline in the popularity of the types of games we offer or develop could adversely affect our business and prospects.

In addition, the gaming industry is a highly competitive and dynamic market, and the future success of our online gaming business success depends not only on the popularity of our existing game but also on our ability to develop and introduce new games that are attractive to our customers. To achieve this, we need to anticipate and effectively adapt to rapidly changing consumer tastes and preferences and technological advances. The development of new games and the procurement of licenses from third-party developers can be very difficult and require high levels of innovation and significant investments. Even if we can secure the licenses from third-party developers, their game products may not meet our standards and we may decide not to do a commercial launch and lose initial minimum guarantee payments. Our competitors may develop more successful products, or offer similar products at lower price points or pursuant to payment models viewed as offering a better value than we do. Any such negative development may materially and adversely affect our business, financial condition and results of operations.

Illegal game servers, unauthorized character enhancements and other infringements of our intellectual property rights, as well as theft of in-game goods, could harm our business and reputation and materially and adversely affect our results of operation.

We face the risks of illegal game servers, unauthorized character enhancements and other infringements of our intellectual property rights as well as the risk of theft of in-game goods purchased by our customers. Illegal server usage, misappropriation of our game server installation software and the establishment of illegal game servers could harm our business and reputation and materially and adversely affect our results of operations.

We cannot assure you that we will be able to identify and eliminate new illegal game servers, unauthorized character enhancements or other infringements of our intellectual property rights in a timely manner, or at all. The deletion of unauthorized character enhancements requires the affected players to restart with a new character from the starting level, and this may cause some of these players to cease playing the game altogether. If we are unable to eliminate illegal servers, unauthorized character enhancements or suffer other infringements of our intellectual property rights, our players' perception of the reliability of our games may be negatively impacted, which may reduce the number of players using our games, shorten the lifespan of our games and adversely affect our results of operations.

Failure to obtain or renew approvals or filings for online games and mobile games we operate may adversely affect our operations or subject us to penalties.

The Ministry of Culture has promulgated laws and regulations that require, among other things, (i) the review and prior approval of all new online games licensed from foreign game developers and related license agreements, (ii) the review of patches and updates with substantial changes of games which have already been approved, and (iii) the filing of domestically developed online games. Furthermore, online games, regardless of whether imported or domestic, will be subject to content review and approval by the General Administration of Press and Publication, Radio, Film and Television, or the **GAPPRFT** (formerly known as the General Administration of Press and Publication, or the **GAPP)** prior to the commencement of games operations in China. Failure to obtain or renew approvals or complete filings for online games, including mobile games, may materially delay or otherwise affect a game operator's plan to launch new games, and the operator may be subject to fines, the restriction or suspension of operations of the related games or revocation of licenses in the event that the relevant governmental authority believes that the violation is severe.

We cannot assure you that we are able to obtain and maintain requisite approvals or fulfill other requisite registration or filing procedures required by the relevant PRC governmental authorities in a timely manner, or at all. From time to time, we also rely on certain third-party licensors of domestically developed online games to obtain approvals and complete filings with the PRC regulatory authorities. If we or any such third-party licensors fail to obtain the required approvals or complete the filings, we may not be able to continue the operation of such games. If any such negative event occurs, our business, financial condition and results of operations may be materially and adversely affected.

We depend on third-party companies to perform functions critical to our business, and any failure or increased cost on their part could have a material adverse effect on our business.

We depend on third-party companies to perform functions critical to our business. We depend on hosting service providers to conduct cryptocurrency mining. Difficulties with any of our significant partners or third parties involved in our business, regardless of the reason, could have a material adverse effect on our financial results, business and prospects.

If we or our third-party service providers experience a security breach or cyberattack and unauthorized parties obtain access to our Bitcoin, we may lose some or all of our Bitcoin and our financial condition and results of operations could be materially and adversely affected

Security breaches and cyberattacks are of particular concern with respect to our Bitcoin. Bitcoin and other blockchain-based cryptocurrencies have been, and may in the future be, subject to security breaches, cyberattacks, or other malicious activities. A successful security breach or cyberattack could result in a partial or total loss of our Bitcoin in a manner that may not be covered by insurance or indemnity provisions of the custody agreement with a custodian who holds our Bitcoin. Such a loss could have a material adverse effect on our financial condition and results of operations.

Our international business efforts could adversely affect us.

We operate and conduct business in different countries and regions. International transactions are subject to inherent risks and challenges that could adversely affect us, including:

- the need to develop new supplier and manufacturer relationships;
- counter-party risks, theft of our properties, fraud, among others;
- the need to comply with additional U.S. and foreign laws and regulations;
- changes in international laws, regulatory requirements, taxes and tariffs;
- our limited experience with different local cultures and standards;
- geopolitical conflicts, such as war and terrorist attacks; and
- the additional resources and management attention required for such expansion.

Our international business could expose us to penalties for non-compliance with laws applicable to international business and trade, which could have a material adverse effect on our business. Compliance with such laws and regulations will result in additional costs and may necessitate changes to our business practices, which may adversely affect our business. To the extent that we make purchases or sales denominated in foreign currencies, we would have foreign currency risks, which could have a material adverse effect on our financial results, business and prospects.

Our international business may face uncertainty in the tax implications.

We may be subject to various tax obligations associated with mining in countries where we have hosting agreements for our machines in the future, including the so-called tax on mining in Kazakhstan and Kyrgyzstan, effectively a surcharge on the electricity price per kW/h. Although crypto assets obtained through crypto mining operations are not currently taxed in some jurisdictions, we cannot guarantee the case will always be true in the future. If the governments promulgate new tax regimes that will subject our operation to additional tax liabilities, our business operations might be materially affected.

We may continue to face the legal risks arising from non-fungible tokens or NFTs.

In late 2021, we formally stepped into the NFT business. In 2023, we sold NFTSTAR Singapore pte. Ltd. and its subsidiaries to an unrelated third party. We no longer operate an NFT business. However, we may still be subject to risks arising from our previous NFT operations. For example, we entered into license agreements with international sports stars, pursuant to which they had granted us licenses to use their likeness for production of NFTs. The terms of the license agreements are generally two to three years. Even though we sold the NFT business to an unrelated third party, we could not foresee whether these licensors would still attempt to claim any unpaid amount from us by relying on the dispute resolution clauses provided by the license agreements.

There can be no assurance that the market for digital assets will be developed and sustained, which may materially adversely affect our business operations.

The market for digital assets is still nascent. Accordingly, the market for digital assets may not develop, or if a market does develop, such value be maintained. If no market develops for digital assets in the future, it may be difficult or impossible for us to develop and maintain a platform where our users can trade, purchase and sell digital assets. If we could not receive transaction fees from secondary market due to these users being unable to trade, purchase and sell digital assets, our business operations and financial performance may be negatively affected.

Further questions may hinge on the specific facts and circumstances surrounding the creation, promotion and sale of NFTs as to whether they might be classified as securities.

Under the *Howey* test, an asset constitutes an investment contract, and thus qualify as a security, when it represents a transaction involving (1) an investment of money, (2) in a common enterprise, (3) where profits are reasonably expected to be derived from the managerial or entrepreneurial efforts of others. An asset may fall outside the investment contract definition when it is acquired primarily for personal use rather than passive investment. Where the profits sought by purchasers are based on their own efforts or market forces of supply and demand, the *Howey* test may not be satisfied.

There are strong grounds to conclude the NFTs are not considered investment contracts under *Howey*, as each NFT is a unique, one-of-a-kind digital asset, there is arguably no common enterprise involved in the NFT's purchase or sale. Further, many purchasers of NFTs buy them because of their consumptive value, that is, the buyers enjoy owning them in their own right, not because of any potential profit that ownership might bring. Even though some buyers of NFTs may seek to profit based on the possibility that they appreciate in value in the future, such value appreciation is likely to be more closely tied to its rarity and market forces than any ongoing managerial or entrepreneurial efforts of the sellers.

Nevertheless, courts have held that the manner in which the underlying asset is promoted to purchasers may give rise to an investment contract under *Howey* if they create a reasonable expectation of profits based on the managerial efforts of others. The concern here is that such marketing could transform a non-security into a security, such as that in *Gary Plastic Packaging Corp. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, in which a secondary market for the instruments was touted. Central to determining whether a security is being sold is how it is being sold and the reasonable expectations of purchasers.

We do not think NFTs produced by NFTSTAR are securities as they constitute art or collectibles with the consumptive value and they are finished products whose value is determined at a sale that is made directly to a buyer. We targeted consumers who are fans of sport stars and enjoy owning piece of their likeness. Historically, our NFTs were not marketed to reward holders with appreciation, profit, or dividends. Our NFTs, here, were more resembling sports cards than investment product. NFTSTAR was not an agent for the sports stars and did not extend any managerial efforts that would enhance popularity of any star and hence the value of their NFTs. Moreover, our sales proceeds were not funds which are raised with the expectation that we would build system and that investors can earn a return on the instrument.

There are, however, substantial uncertainties regarding the interpretation and application of current or future laws and regulations in the field of cryptocurrency. We have sold NFTSTAR to a third-party buyer. We are no longer involved in NFT related business. However, if we are deemed to have been engaged in, or facilitated, transactions in unregistered securities, it could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline.

It is uncertain whether certain cryptocurrencies fall within the definition of a "security" under the U.S. federal, state or foreign securities laws. If one of the cryptocurrencies that we possess are deemed to be a security under any U.S. federal or state or foreign jurisdiction, or in a proceeding in a court of law or otherwise, it may have adverse consequences for such cryptocurrency, and we could be subject to legal or regulatory action.

Our risk-based assessments about whether certain cryptocurrencies are securities are not legal determinations. The classification of a cryptocurrency as a security under applicable law has wide-ranging implications for the regulatory obligations that flow from the offer, sale, trading, and clearing of such assets. For example, a cryptocurrency that is a security in the United States may generally only be offered or sold in the United States pursuant to a registration statement filed with the SEC or in an offering that qualifies for an exemption from registration. Persons that effect transactions in cryptocurrencies that are securities in the United States may be subject to registration with the SEC as a "broker" or "dealer." Platforms that bring together purchasers and sellers to trade cryptocurrencies that are securities in the United States are generally subject to registration as national securities exchanges, or must qualify for an exemption, such as by being operated by a registered broker-dealer as an alternative trading system. Persons facilitating clearing and settlement of securities may be subject to registration with the SEC as a clearing agency.

The SEC and its staff, as well as U.S. state securities regulators, have historically taken the position that certain cryptocurrencies fall within the definition of a "security" under the U.S. federal and state securities laws. U.S. Supreme Court case law and the SEC staff have indicated that the determination as to whether a cryptocurrency is a security or not depends on the characteristics and use of that particular asset. Numerous enforcement actions and regulatory proceedings have since been initiated against crypto assets and crypto asset products and their developers and proponents in recent years, as well as against trading platforms that support crypto assets. In addition, several foreign governments have also issued similar warnings cautioning that crypto assets may be deemed to be securities under the laws of their jurisdictions.

A non-exhaustive list of cryptocurrencies declared as securities by the SEC includes FTX Token, Algorand, Filecoin, BNB and Binance USD. The SEC and the SEC Staff have taken positions that certain cryptocurrencies are "securities" in the context of settled or litigated enforcement actions. Otherwise, the SEC has not historically provided advance confirmation on the status of any particular cryptocurrency as a security and the current presidential administration and control of Congress in the U.S. present considerable uncertainty as to cryptocurrency regulations. While prior public statements by senior officials at the SEC indicated that the SEC does not intend to take the position that Bitcoin or Ethereum are securities (in their current forms), Bitcoin and Ethereum were the only specific cryptocurrencies as to which senior officials at the SEC had publicly expressed such a view. Moreover, such statements are not official policy statements by the SEC and reflect only the speakers' views, which are not binding on the SEC or any other agency or court, cannot be generalized to any other cryptocurrency, and might evolve. With respect to all other cryptocurrencies, there is currently no certainty under the applicable legal test that such assets are not securities, and U.S. regulators have expressed concerns about cryptocurrency platforms adding multiple new coins, some of which the regulators question might be unregistered securities.

In January 2025, U.S. President Donald Trump issued an executive order forming a presidential working group to establish a clear regulatory framework for digital assets, and leaders in both houses of the U.S. Congress have announced a bicameral working group with the objective of passing legislation to provide regulatory clarity for the industry. Committees in both houses of the U.S. Congress have held hearings to ensure fair access to financial services, including for companies operating in the digital asset space. Additionally, in early March 2025, President Trump announced the creation of a U.S. strategic crypto reserve, which will include Bitcoin Ethereum, Solana, XRP, and Cardano.

Also in January 2025, the SEC launched a crypto task force dedicated to developing a comprehensive and clear regulatory framework for digital assets led by Commissioner Hester Peirce. Subsequently, Commissioner Peirce announced a list of specific priorities to further that initiative, which included pursuing final rules related to a digital asset's security status, a revised path to registered offerings and listings for digital asset-based investment vehicles, and clarity regarding digital asset custody, lending and staking. While the SEC has formed the Crypto Task Force to provide clarity on the application of the federal securities laws to the crypto asset market and to recommend practical policy measures that aim to foster innovation and protect investors, any permanent regulatory shift remains uncertain at this time, and there is no assurance a more favorable U.S. regulatory environment will emerge at the federal or state levels.

To the extent that the SEC or a court determines that any cryptocurrency supported by a trading platform is a security, that determination could prevent the platform from continuing to facilitate the trading of that cryptocurrency. It could also result in regulatory enforcement penalties and financial losses to the platform if it was determined to have liability to its customers and thus had to compensate them for any losses or damages. Such a platform could also be subject to judicial or administrative sanctions for failing to offer or sell the cryptocurrency in compliance with securities registration requirements, or for acting as a securities broker or dealer without appropriate registration. Such an action could result in injunctions and cease and desist orders, as well as civil monetary penalties, fines, and disgorgement, criminal liability, and reputational harm. Customers that traded those cryptocurrencies and suffered trading losses might also seek to rescind the transactions facilitated by the platform on the basis that such trades were conducted in violation of applicable law, which could subject the trading platform operator to significant liability and losses.

The SEC's determination that Filecoin or any other cryptocurrency is a "security" may adversely affect the value of such cryptocurrency and could therefore adversely affect our business, prospects or operations.

Depending on its characteristics, a cryptocurrency may be considered a "security" under the federal securities laws. The test for determining whether a particular cryptocurrency is a "security" is complex and difficult to apply, and the outcome is difficult to predict. Whether a cryptocurrency is a security under the federal securities laws depends on whether it is included in the lists of instruments making up the definition of "security" in the Securities Act, the Exchange Act, and the Investment Company Act. Cryptocurrencies as such do not appear in any of these lists, although each list includes the terms "investment contract" and "note," and the SEC has typically analyzed whether a particular cryptocurrency is a security by reference to whether it meets the tests developed by the federal courts interpreting these terms, known as the *Howey* and *Reves* tests, respectively. For many cryptocurrencies, whether or not the *Howey* or *Reves* tests are met is difficult to resolve definitively, and substantial legal arguments can often be made both in favor of and against a particular digital asset qualifying as a security under one or both of the *Howey* and *Reves* tests. Adding to the complexity, the SEC staff has indicated that the security status of a particular digital asset can change over time as the facts evolve.

Current and future legislation and SEC-rulemaking and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which cryptocurrencies are viewed or treated for classification and clearing purposes. In particular, Bitcoin and other cryptocurrencies may not be excluded from the definition of "security" by SEC rulemaking or interpretation requiring registration of all transactions unless another exemption is available, including transacting in Bitcoin or other cryptocurrencies among owners and requiring registration of trading platforms as "exchanges." Accordingly, a given cryptocurrency may currently be a security based on the facts as they exist today, or may in the future be found by the SEC or a federal court to be a security under the federal securities laws.

The SEC has previously taken the view that Filecoin meets the definition of a security under the U.S. federal securities laws. We generate Filecoin mining income through provision of computing storage space to the main networks. Unlike our Bitcoin mining business, we rely on a Filecoin mining company to manage Filecoin mining instead of managing it by ourselves. We cannot control the timing and quantity of Filecoin to be received and earned. Accordingly, we only record Filecoin mining income when we actually receive the Filecoin in our cryptocurrency wallet. As of December 31, 2022, 2023 and 2024, we had recognized RMB0.8 million, RMB1.5 million and RMB2.0 million (US$0.3 million) as non-operating income. To date, we have generated minimal income from our mining of Filecoin. Still, the SEC's determination that Filecoin is a security could result in interruptions to our business. For example, if we were deemed an 'investment company' under the Investment Company Act of 1940, as amended, we would be required to meet burdensome compliance requirements and register as an investment company. Investment company registration is time consuming and would require a restructuring of our business. Moreover, the operation of an investment company is very costly and restrictive, as investment companies are subject to substantial regulation concerning management, operations, transactions with affiliated persons and portfolio composition, and the Investment Company Act filing requirements. The cost of such compliance would result in us incurring substantial additional expenses, and the failure to register if required would have a materially adverse impact on its operations.

Our equity investments or establishment of joint ventures and any material disputes with our investment or joint venture partners may have an adverse effect on our financial results, business prospects and our ability to manage our business.

From time to time, subject to the availability of the necessary financial resources, we make equity investments into selected targets, such as mining data center developers, online game developers, operators or application platforms, or establish joint ventures with business partners, to seek business growth opportunities. For example, in 2024, as we have pivoted to the online gaming business again, our strategy is to create operating joint ventures with various Chinese companies that have significant amounts of existing player/user bases and have AI powered marketing capabilities to attract more users to play our licensed MIR M game in China. We have entered into four joint venture agreements under which we agreed to mutually operate various online game-related businesses with each respective joint venture partner. All joint venture partners shall contribute their players/user base to the respective joint venture companies. We have also sublicensed MIR M game for publishing and operations to Shaoxing Jiuyu Network Technology Co., Ltd. and sublicensed certain MIR M game-related rights to the other joint venture companies primarily responsible for marketing and other auxiliary business. Each joint venture has its own operational and profit targets up to three years. The financial results of such joint ventures shall be consolidated in our financial statement. However, we cannot assure you that we will successfully implement this strategy and that our joint venture partners will perform their obligations under the agreements. We also cannot assure that these joint venture partners will perform their obligations under the joint venture agreements and/or that operations of the MIR M game and other game businesses will lead to the achievement of the profit targets.

We may have limited power to direct or otherwise participate in the management of operations and strategies of the companies in which we invest or the joint ventures we establish. The diversion of our management's attention away from our business and any difficulties encountered in managing our interests in the respective investees or joint ventures could have an adverse effect on our ability to manage our business. Any material disputes with our investment or joint venture partners and existing shareholders may also require us to allocate significant corporate and other resources.

Our investments may also be subject to market conditions and therefore are uncertain whether our resources and expenses devoted are able to be converted into revenue. In addition, we may not recover our equity investments if the companies in which we invest do not perform well and equity investments could result in the incurrence of operating or impairment losses, which could materially and adversely affect our results of operations.

We may not be able to prevent others from infringing upon our intellectual property rights, which may harm our business and expose us to litigation.

We regard our proprietary software, domain names, trade names, trademarks and similar intellectual properties as critical to our business. Intellectual property rights and confidentiality protection in China may not be as effective as in the United States or other countries. Monitoring and preventing the unauthorized use of proprietary technology is difficult and expensive. The steps we have taken may be inadequate to prevent the misappropriation of our proprietary technology. Any misappropriation could have a negative effect on our business and operating results. We may need to resort to court proceedings to enforce our intellectual property rights in the future. Litigation relating to our intellectual property might result in substantial costs and diversion of resources and management attention away from our business. See "—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us."

We rely on services and licenses from third parties to carry out our businesses, and if there is any negative development in these services or licenses, our end users may cease to use our products and services.

We rely on third parties for certain services and licenses for our business, including game platforms and distributors for the distribution of our games, and other services and licenses for our operations. For example, we rely on third-party licenses for some of the software underlying our technology platform, and on China Telecom's internet data centers for hosting our servers. See "Item 4. Information on the Company—B. Business Overview—Pricing, Distribution and Marketing."

Any interruption or any other negative development in our ability to rely on these services and licenses, such as material deterioration of quality of the third-party services or the loss of intellectual property relating to licenses held by our licensors, could have a material and adverse impact on our business operations. In particular, our game licensors may be subject to intellectual property rights claims with respect to the games or software licensed to us. If such licensors cannot prevail on the legal proceedings brought against them, we could lose the right to use the licensed games or software. Furthermore, if our arrangements with any of these third parties are terminated or modified against our interest, we may not be able to find alternative solutions on a timely basis or on terms favorable to us. If any of these events occur, our end users may cease using our products and services, and our business, financial condition and results of operations may be materially and adversely affected.

Unexpected network interruptions caused by system failures or other internal or external factors may lead to user attrition, revenue reductions and may harm our reputation.

Any failure to maintain satisfactory performances, reliability, security and availability of our network infrastructure may cause significant harm to our reputation and our ability to attract and maintain users. The system hardware for our operations is located in several cities in China. We maintain our backup system hardware and operate our back-end infrastructure in Shanghai. Server interruptions, breakdowns or system failures in the cities where we maintain our servers and system hardware, including failures that may be attributable to sustained power shutdowns, or other events within or outside our control that could result in a sustained shutdown of all or a material portion of our services, could adversely impact our ability to service our users.

Our network systems are also vulnerable to damage from computer viruses, fire, flood, earthquake, power loss, telecommunications failures, computer hacking and similar events. We maintain property insurance policies covering our servers, but do not have business interruption insurance.

Our business may be harmed if our technology becomes obsolete or if our system infrastructure fails to operate effectively.

The industries we operate in are subject to rapid technological change. We need to anticipate the emergence of new technologies in cryptocurrency mining and online games, assess their acceptance and make appropriate investments. If we are unable to do so, new technologies in cryptocurrency mining and online game programming or operations could render our cryptocurrency mining inefficient or our games obsolete or unattractive. In addition, our business may be harmed if we are unable to upgrade our systems fast enough to accommodate increasing computing power and fluctuations in future traffic levels, avoid obsolescence or successfully integrate any newly developed or acquired technology with our existing systems. Capacity constraints could cause unanticipated system disruptions and slower response and processing time, affecting data transmission and efficiency. These factors could, among other things, cause our cryptocurrency mining activities to become inefficient or cause us to lose existing or potential customers and existing or potential game development partners.

We have been and may be subject to future intellectual property rights claims or other claims, which could result in substantial costs and diversion of our financial and management resources away from our business.

There is no assurance that all aspects of our business operation do not or will not infringe upon patents, valid copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others.

Some of our employees were previously employed at other companies, including our current and potential competitors. To the extent these employees have been involved in research at our company similar to research in which they had been involved at their former employers, we may become subject to claims that such employees have used or disclosed trade secrets or other proprietary information of their former employers. In addition, our competitors may file lawsuits against us in order to gain an unfair competitive advantage over us.

If any such claim arises in the future, litigation or other dispute resolution proceedings may be necessary to retain our ability to offer our current and future games, which could result in substantial costs and diversion of our financial and management resources. Furthermore, if we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property, incur additional costs to license or develop alternative games and be forced to pay fines and damages, each of which may materially and adversely affect our business and results of operations.

Variability in intellectual property laws may adversely affect our intellectual property position.

Intellectual property laws, and patent laws and regulations in particular, have been subject to significant variability either through administrative or legislative changes to such laws or regulations or changes or differences in judicial interpretation, and it is expected that such variability will continue to occur. Additionally, intellectual property laws and regulations differ among states, and countries. Variations in the patent laws and regulations or in interpretations of patent laws and regulations in the United States and other countries may diminish the value of our intellectual property and may change the impact of third-party intellectual property on us. Accordingly, we cannot predict the scope of patents that may be granted to us, the extent to which we will be able to enforce our patents against third parties, or the extent to which third parties may be able to enforce their patents against us.

Our business is subject to complex and evolving Chinese and international laws and regulations regarding data privacy and cybersecurity. Failure to protect confidential information of our customers and network against security breaches could damage our reputation and brand and substantially harm our business and results of operations.

As the regulations regarding data privacy and cybersecurity are quickly evolving in China and globally, we may become subject to new laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information that could affect how we store, process and share data with our customers, suppliers and third-party merchants.

On August 20, 2021, the Standing Committee of the National People's Congress of China promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. We update our privacy policies from time to time to meet the latest regulatory requirements of the CAC and other authorities and adopt technical measures to protect data and ensure cybersecurity in a systematic way. Nonetheless, the Personal Information Protection Law raises the protection requirements for processing personal information, and many specific requirements of the Personal Information Protection Law remain to be clarified by the CAC, other regulatory authorities, and courts in practice. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations. See "Item 4. Information on the Company—B. Business Overview—Regulations."

On December 28, 2021, thirteen ministries and commissions, including the National Internet Information Office, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of National Security, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China, the State Administration for Market Regulation, the State Administration of Radio and Television, the China Securities Regulatory Commission, the State Secret Service, and the State Cryptography Administration, issued the Measures for Cybersecurity Review (2021), which emphasized that operators of "critical information infrastructure" or data processors holding over one million users' personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before any public offering at a foreign stock exchange. The Measures for Cybersecurity Review that took effect on February 15, 2022 provide that the purchase of network products and services by critical information infrastructure operator and the data processing activities carries out online platform operators, which affects or may affect national security, shall be subject to cybersecurity review in accordance with the present Measures. In connection with offering and listing in an overseas market, an online platform operator who possesses the personal information of more than one million users shall declare to the Office of Cybersecurity Review for cybersecurity review.

As of the date of this annual report, (i) we are not a critical information infrastructure operator, (ii) we collect less than one million users' information through our internet platform in China, and (iii) our business does not affect national security. Thus, our PRC legal counsel does not expect that, as of the date of this annual report, we are required to file an application for the cybersecurity review by CAC.

On February 22, 2023, the CAC issued the Measures on the Standard Contract for Outbound Transfer of Personal Information, or the **Measures**, which took effect on June 1, 2023, and the Standard Contract for Outbound Transfer of Personal Information. The Measures consist of 13 articles, clarifying the scope of application, applicable conditions, requirements for supporting personal information protection impact assessments, record-keeping requirements, and other related matters for the Standard Contract for Outbound Transfer of Personal Information. If a personal information processor provides personal information to overseas parties by entering into standard contracts, it shall meet the following conditions at the same time: (1) it shall not be an operator of critical information infrastructure; (2) the number of individuals whose personal information is processed shall be less than 1 million; (3) the cumulative number of individuals whose personal information has been provided to overseas parties shall be less than 100,000 since January 1 of the previous year; and (4) the cumulative number of individuals whose sensitive personal information has been provided to overseas parties shall be less than 10,000 since January 1 of the previous year. As of the date of this annual report, we had not provided personal information to overseas organizations, and there is no situation of providing personal information to overseas data processors. Based on the foregoing, our PRC legal counsel does not expect that, as of the date of this annual report, the current applicable laws of the Chinese mainland on personal information export would have a material adverse impact on our business.

On September 24, 2024, the State Council promulgated the Regulation on Network Data Security Management, which took effect on January 1, 2025. This regulation applies to network data handling activities and the supervision and administration of security thereof carried out within the territory of the PRC. This Regulation also applies to the activities outside the territory of the PRC to handle the personal information of natural persons within the territory of the PRC, which conform to the following circumstances prescribed in the second paragraph of Article 3 of the Law of the PRC on the Protection of Personal Information, including: (i) where the purpose is to provide domestic natural persons with products or services; (ii) where the activities of domestic natural persons are analyzed and evaluated; and (iii) other circumstances as prescribed by laws and administrative regulations. Besides, where network data processors carry out network data processing activities that affect or may affect national security, they shall carry out a national security review in accordance with relevant national regulations. This regulation also stipulates network data processors may transmit personal information abroad if it meets any of the certain conditions, such as having passed the security assessment for data cross-border transmission organized by the state cyberspace administration, or having been certified by a specialized agency in respect of the protection of personal information in accordance with the provisions of the state cyberspace administration, or meeting the provisions on standard contract for cross-border transmission of personal information as developed by the state cyberspace administration ects. Therefore, we may be subject to review when conducting data processing activities and data security assessment and may face challenges in addressing its requirements and make necessary changes to our internal policies and practices in data processing.

In addition, we may need to comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S., Europe and elsewhere. For example, the European Union adopted the General Data Protection Regulation, which became effective on May 25, 2018. The General Data Protection Regulation imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under the General Data Protection Regulation) and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks.

We generally comply with industry standards and are subject to the terms of our own privacy policies. Compliance with any additional laws could be expensive, and may place restrictions on the conduct of our business and the manner in which we interact with our customers. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us, and misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental authorities or other authorities, damage to our reputation and credibility and could have a negative impact on revenues and profits.

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or failure we perceived in preventing information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims. Any perception by the public that online transactions or the privacy of user information are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of our business.

Our operating results may fluctuate due to various factors, and therefore may not be indicative of our future results.

Our operating results have experienced fluctuations from time to time and will likely continue to fluctuate in the future. These fluctuations in operating results depend on a variety of factors, including cryptocurrency price fluctuations, mining difficulty, market sentiment in the cryptocurrency space, the expiration or termination of our game licenses, and acquisition or disposal of subsidiaries.

To a significant degree, our operating expenses are based on planned expenditures and our expectations regarding prospective customer usage. Failure to meet our expectations could disproportionately and adversely affect our operating results in any given period. As a result, our historical operating results may not necessarily be indicative of our future results.

Our business depends substantially on the continuing efforts of our senior executives, and our business may be severely disrupted if we lose their services.

Our business and prospect depend heavily upon the continued services of our senior executives. We rely on their expertise in business operations, technology support and sales and marketing and on their relationships with our shareholders and distributors. We do not maintain key-man life insurance for any of our key executives. If one or more of our key executives are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. As a result, our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected, and we may incur additional expense to recruit and train personnel.

Each of our executive officers has entered into an employment agreement with us, which contains confidentiality and non-competition provisions. If any disputes arise between our executive officers and us, we cannot assure you the extent to which any of these agreements could be enforced in China, where these executive officers reside and hold most of their assets, in light of uncertainties with the PRC legal system. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China —Uncertainties with respect to the PRC legal system could adversely affect us."

If we are unable to attract, train and retain key individuals and highly skilled employees, our business may be adversely affected.

Our business relies on our ability to hire and retain additional qualified employees, including skilled and experienced online game developers. Since our industry is characterized by high demand and intense competition for talent, we may need to offer higher compensation and other benefits in order to retain key personnel in the future. We cannot assure you that we will be able to attract or retain the qualified game developers or other key personnel that we will need to achieve our business objectives.

We have limited business insurance coverage in China and other areas.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products. Additionally, we cease to possess significant operating assets located in China. As a result, we do not have any business liability or disruption insurance coverage for our operations in China. Any business disruption, litigation or natural disaster might result in our incurring substantial costs and the diversion of our resources.

Our mining machines are located in the U.S., Canada, Kyrgyzstan and Kazakhstan. We did not obtain insurance on our mining machines. We currently rely on the data center operators to insure their data centers, including, among other things, our mining machines. Operators of data centers are holders of their own insurance policies. Data center operators do not provide commercial insurance specifically for our miners located at their facilities. Rather, they have insurance covering data center facilities and assets which belong to the data center operators. We are not privy to the specific terms of the insurance contracts of the data center operators. However, data center operators are contractually responsible for the safety of our miners. We cannot guarantee that the data center operators have fulfilled their obligations to comply with the insurance coverage requirements.

As of the date of this annual report, we do not have insurance coverage for our crypto assets or miners.

Some of our subsidiaries, the variable interest entity and its subsidiaries, and joint ventures in the Chinese mainland engaged in certain business activities beyond the authorized scope of their respective licenses, and if they are subject to administrative penalties or fines, our operating results may be adversely affected.

Some of our subsidiaries, the variable interest entity and its subsidiaries, and joint ventures in the Chinese mainland engaged in business activities that were not within the authorized scope of their respective licenses in the past. The PRC authorities may impose administrative fines or other penalties for the non-compliance with the authorized scope of the business licenses, which may in turn adversely affect our operating results.

Uncertainty and instability resulting from the conflict between Russia and Ukraine could negatively impact our business, financial condition and operations.

In the past we conducted certain of our mining operations in Russia by entering into hosting agreements pursuant to which our machines are co-located and operated in data centers in Russia. As of the date of this annual report, in connection with the termination arrangements, all of our Russia-related operations have been wound up.

The U.S. government and other governments in jurisdictions in which we operate may swiftly impose expansive economic sanctions that may have a material impact on our operations and require us to take, or refrain from taking, specific actions, including, but not limited to, ceasing agreements or mining operations involving Russia or transporting our mining machines out of Russia. Russia is considering a number of severe measures aimed at mitigating the effect of sanctions imposed against it by the U.S., EU, UK and other governments in connection with the Russia-Ukraine conflict, including nationalization and seizures of assets held by foreign businesses under certain circumstances. In addition, existing Russian legal frameworks may be unfairly or unevenly enforced, and courts may decline to enforce legal protections covering our investments and business partnerships in Russia altogether. In the future, the U.S. government or other governmental authorities may designate certain of our Russian partners as individuals or entities as subject to sanctions. The Russian government's ability to raise funds, including cryptocurrency, has been restricted. If the Russia-Ukraine conflict continues, the value of cryptocurrency, such as Bitcoin, may be materially affected.

On April 20, 2022, OFAC added to its list of Specially Designated Nationals, or the **SDN List**, certain companies operating in Russia's virtual currency mining industry, including BitRiver AG, or **BitRiver**. In the past, we partnered with BitRiver to carry out our mining business in Russia. OFAC included BitRiver on the SDN List pursuant to Executive Order 14024, for operating or having operated in the technology sector of the Russian Federation's economy. BitRiver's Russia-based subsidiaries were put on the SDN List, also pursuant to Executive Order 14024, for being owned or controlled by, or for having acted or purported to act for or on behalf of, directly or indirectly, BitRiver. Any entity in which BitRiver, or any of its designated subsidiaries, has a 50% or greater, direct or indirect, ownership interest is also subject to U.S. sanctions. Such sanctions may materially affect our mining operations in Russia, and we have decided to terminate our partnership with BitRiver. In response to the sanctions, we have (i) disposed of our mining machines, (ii) transferred our mining machines outside of Russia, and (iii) for those mining machines not transferred or disposed of, signed hosting agreements with entities located outside of Russia. As of the date of this annual report, in connection with the termination arrangements, all of our Russia-related operations have been wound up. If we are not able to successfully mitigate some or all disruptions due to our termination of such relationship and the disposal or relocation of our mining machines, there could be a material adverse impact on our business, financial condition and results of operations.

We could be liable for breaches of security of third-party online payment channels, which may have a material adverse effect on our reputation and business.

Currently, a portion of our online game operation revenues are generated from sales through third-party online payment platforms. In such transactions, secured transmission of confidential information, such as customers' credit card numbers and expiration dates, personal information and billing addresses, over public networks, in some cases including our website, is essential to maintain consumer confidence. While we have not experienced any material breach of our security measures to date, we cannot assure you that our current security measures are adequate. We do not have control over the security measures of our third-party online payment vendors and we cannot assure you that these vendors' security measures are adequate or will be adequate with the expected increased usage of online payment systems. Security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could harm our reputation, ability to attract customers and ability to encourage customers to purchase in-game items.

Material weaknesses and significant deficiencies in our internal control over financial reporting has been identified, and if we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, meet our reporting obligations or prevent fraud, which could have a material adverse effect on our business, results of operations and the trading price of our ADSs.

We are subject to reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the **SEC**, as required by Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring public companies to include a report of management in its annual report that contains management's assessment of the effectiveness of a company's disclosure controls and procedures and internal controls over financial reporting.

In preparing our consolidated financial statements for the fiscal year ended December 31, 2024, we and our independent registered public accounting firms identified material weaknesses in our internal control over financial reporting, in accordance with the standards established by the PCAOB. As defined in the standards established by the PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. For the year ended December 31, 2024, the material weaknesses identified were that (a) we failed to maintain and implement controls over our period-end closing and financial reporting process in a timely manner, and (b) we lacked accounting personnel with knowledge of U.S. GAAP and SEC financial reporting requirements, which resulted in a number of adjustments detected and or proposed by our auditor. We also noted the following deficiencies that we believe to be significant deficiencies. As defined in standards established by the PCAOB, a "significant deficiency" is deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. For the year ended December 31, 2024, the significant deficiency identified were that (a) certain of the intercompany balances in each respective entities are not reconciled and some intercompany adjustments are made as topside entries and most are carried over from prior years without identifying which entities they were pertaining to and from, and the explanations for these adjustments were not documented clearly, and (b) certain supporting documents for the mining pool are not obtained timely. To remedy our identified material weakness and significant deficiency, we will prepare the period-end closing and financial reporting process earlier to ensure we have sufficient time on these. We will also strengthen our accounting personnel's knowledge by training or additional hiring. We will improve on the reconciliation of intercompany balances by minimizing unnecessary intercompany transactions. In additional, we will improve our communication with our mining pool partner to ensure supporting documents can be obtained earlier.

In preparing our consolidated financial statements for the fiscal year ended December 31, 2023, we and our independent registered public accounting firms identified material weaknesses in our internal control over financial reporting, in accordance with the standards established by the PCAOB. As defined in the standards established by the PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. For the year ended December 31, 2023, the material weaknesses identified were that (a) we failed to maintain and implement controls over our period-end closing and financial reporting process in a timely manner, and (b) we lacked accounting personnel with knowledge of U.S. GAAP and SEC financial reporting requirements, which resulted in a number of adjustments detected and or proposed by our auditor. We also noted the following deficiencies that we believe to be significant deficiencies. As defined in standards established by the PCAOB, a "significant deficiency" is deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. For the year ended December 31, 2023, the significant deficiency identified were that (a) certain of the intercompany balances in each respective entities are not reconciled and some intercompany adjustments are made as topside entries and most are carried over from prior years without identifying which entities were pertaining to and from, and the explanations for these adjustments were not documented clearly, and (b) certain supporting documents for the mining pool are not obtained timely. To remedy our identified material weakness and significant deficiency, we will prepare the period-end closing and financial reporting process earlier to ensure we have sufficient time on these. We will also strengthen our accounting personnel's knowledge by training or additional hiring. We will improve on the reconciliation of intercompany balances by minimizing unnecessary intercompany transactions. In additional, we will improve our communication with our mining pool partner to ensure supporting documents can be obtained earlier.

In connection with the audit of our consolidated financial statements for the year ended December 31, 2022, we and our independent registered public accounting firms identified a significant deficiency as of December 31, 2022, in accordance with the standards established by the PCAOB. As defined in standards established by the PCAOB, a "significant deficiency" is deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. For the year ended December 31, 2022, the significant deficiency identified related to the untimely period-end closing of our subsidiaries abroad. In response, we strengthened the management and financial personnel of our subsidiaries. We also improved our reporting process from subsidiary level to group consolidation level.

In documenting our internal control procedures, in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. If we fail to maintain effective internal controls over financial reporting, as these standards are modified, supplemented or amended from time to time, our management and, if applicable, our independent registered public accounting firm may not be able to conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the Nasdaq, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

We face risks related to natural disasters and health epidemics.

Our business could be materially and adversely affected by natural disasters, health epidemics or other public safety concerns affecting the PRC, and particularly Shanghai. Historically, the COVID-19 pandemic adversely affected our business. Our employees in Shanghai were unable to go to our offices for an extended period, and COVID-19 caused delays in the development of the data centers where we planned to deploy our mining machines. Our foreign strategic partners faced similar delays in their respective countries. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to operate our platforms and provide services and solutions. Our business could also be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general. Our headquarters are located in Shanghai, where most of our directors and management and the majority of our employees currently reside. Most of our system hardware and back-up systems are hosted in facilities located in Shanghai. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Shanghai, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

Risks Related to Our Corporate Structure

If the PRC government determines that the contractual arrangements constituting part of the variable interest entity structure do not comply with laws and regulations of the Chinese mainland, or if these laws and regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of certain of our businesses including value-added telecommunication services is subject to restrictions under current laws and regulations of the Chinese mainland. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (excluding e-commerce, domestic multi-party communications, data collection and transmission services and call centers) and the main foreign investor in the foreign-invested telecommunication enterprise must have experience in providing value-added telecommunications services overseas and maintain a good track record.

We are a Cayman Islands company and our Chinese mainland subsidiaries are considered foreign-invested enterprises. To comply with laws and regulations of the Chinese mainland, we conduct our operations in the Chinese mainland through a series of contractual arrangements entered into the variable interest entity in the Chinese mainland and its Chinese mainland subsidiaries, including Shanghai IT.

In the opinion of our PRC legal counsel, (i) the ownership structures of the variable interest entity in the Chinese mainland and the Chinese mainland subsidiaries that have entered into contractual arrangements with the variable interest entity, including Shanghai IT, comply with all existing laws and regulations of the Chinese mainland; and (ii) the contractual arrangements between the Chinese mainland subsidiaries, including Shanghai IT, the variable interest entity and its respective shareholders governed by laws of the Chinese mainland are valid, binding and enforceable, and will not result in any violation of laws or regulations of the Chinese mainland currently in effect.

However, we are a Cayman Islands holding company with no equity ownership in the consolidated variable interest entity and we conduct our operations in the Chinese mainland primarily through the consolidated variable interest entity with which we have maintained contractual arrangements. Investors in our Class A ordinary shares or the ADSs thus are not purchasing equity interest in the consolidated variable interest entity in the Chinese mainland but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government determines that the contractual arrangements constituting part of the variable interest entity structure do not comply with laws and regulations of the Chinese mainland, or if these laws and regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. We may not be able to repay the notes and other indebtedness, and the securities we are registering may significantly decline in value or become worthless, if the determinations, changes, or interpretations result in our inability to conduct business operations of the consolidated variable interest entity. Our holding company in the Cayman Islands, the consolidated variable interest entity, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the consolidated variable interest entity and, consequently, significantly affect the financial performance of the consolidated variable interest entity and our company as a group.

Our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future laws, regulations and rules in the Chinese mainland; accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel. It is uncertain whether any other new laws or regulations of the Chinese mainland relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or any of the variable interest entity are found to be in violation of any existing or future laws or regulations of the Chinese mainland, or fail to obtain or maintain any of the required permits or approvals, the PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses of such entities;
- discontinuing or restricting the conduct of any transactions between certain of our Chinese mainland subsidiaries and the variable interest entity;
- imposing fines, confiscating the income from the variable interest entity, or imposing other requirements with which we or the variable interest entity may not be able to comply;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with the variable interest entity and deregistering the equity pledges of the variable interest entity, which in turn would affect our ability to consolidate, derive economic interests from, or conduct business operations through contractual arrangements with the consolidated variable interest entity; or
- restricting or prohibiting our use of the proceeds of any of our financing outside of the Chinese mainland to finance our business and operations in the Chinese mainland.

The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of the variable interest entity in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of laws and regulations of the Chinese mainland. If the imposition of any of these government actions causes us to lose our right to direct the activities of the variable interest entity or our right to receive substantially all the economic benefits and residual returns from the variable interest entity and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of the variable interest entity in our consolidated financial statements. Either of these results, or any other significant penalties that might be imposed on us in this event, would have a material adverse effect on our financial condition and results of operations.

Although we believe we, our Chinese mainland subsidiaries and the variable interest entity comply with current laws and regulations of the Chinese mainland, we cannot assure you that the PRC government would agree that our contractual arrangements comply with licensing, registration or other regulatory requirements in the Chinese mainland, with existing policies or with requirements or policies that may be adopted in the future. The PRC government has broad discretion in determining rectifiable or punitive measures for non-compliance with or violations of laws and regulations of the Chinese mainland. If the PRC government determines that we or the variable interest entity do not comply with applicable law, it could revoke the variable interest entity's business and operating licenses, require the variable interest entity to discontinue or restrict the variable interest entity's operations, restrict the variable interest entity's right to collect revenues, block the variable interest entity's websites, require the variable interest entity to restructure our operations, impose additional conditions or requirements with which the variable interest entity may not be able to comply, impose restrictions on the variable interest entity's business operations or on their customers, or take other regulatory or enforcement actions against the variable interest entity that could be harmful to their business. Any of these or similar occurrences could significantly disrupt our or the variable interest entity's business operations or restrict the variable interest entity from conducting a substantial portion of their business operations, which could materially and adversely affect the variable interest entity's business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of any of the variable interest entity that most significantly impact its economic performance, and/or our failure to receive the economic benefits from any of the variable interest entity, we may not be able to consolidate these entities in our consolidated financial statements in accordance with U.S. GAAP.

Contractual arrangements in relation to the variable interest entity may be subject to scrutiny by the PRC tax authorities and they may determine that we or the variable interest entity owes additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable laws and regulations of the Chinese mainland, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements in relation to the variable interest entity were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable laws, rules and regulations of the Chinese mainland, and adjust the taxable income of the variable interest entity in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by the variable interest entity for PRC tax purposes, which could in turn increase its tax liabilities without reducing tax expenses of our Chinese mainland subsidiaries. In addition, the PRC tax authorities may impose late payment fees and other penalties on the variable interest entity for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if the variable interest entity's tax liabilities increase or if it is required to pay late payment fees and other penalties.

Our current corporate structure and business operations may be affected by the Foreign Investment Law.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which took effect on January 1, 2020 and replaced the existing laws regulating foreign investment in the Chinese mainland, namely, the Sino-Foreign Equity Joint Venture Law, the Sino-Foreign Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, or **Existing FIE Laws**, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected regulatory trend in the Chinese mainland to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. See "Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulations on Foreign Investment."

Uncertainties still exist in relation to interpretation and implementation of the Foreign Investment Law, especially with respect to, including, among other things, the nature of variable interest entity contractual arrangements and specific rules regulating the organization form of foreign-invested enterprises within the five-year transition period. While the Foreign Investment Law does not define contractual arrangements as a form of foreign investment explicitly, we cannot assure you that future laws and regulations will not provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our business operations conducted through contractual arrangements with the consolidated variable interest entity will not be deemed as foreign investment in the future. Despite the lack of legal majority ownership, we are able to direct the activities of and derive economic benefits from the consolidated variable interest entity and therefore our Cayman Island holding company is considered the primary beneficiary of the consolidated variable interest entity for accounting purposes and consolidates the variable interest entity and its subsidiaries as required by Accounting Standards Codification topic 810, Consolidation. Accordingly, we treat the consolidated variable interest entity as a consolidated entity under U.S. GAAP and we consolidate the financial results of the consolidated variable interest entity in our consolidated financial statements in accordance with U.S. GAAP. Neither The9 Limited nor its investors have an equity ownership in, direct foreign investment in, or control through such ownership or investment of, the consolidated variable interest entity, and the contractual arrangements are not equivalent to an equity ownership in the business of the consolidated variable interest entity. The Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2024), or the 2024 Negative List, was jointly issued by the Ministry of Commerce, and the National Development and Reform Commission, on September 6, 2024, which took effect on November 1, 2024, the 2024 Negative List stipulate the special administrative measures on access of foreign investment. Industries not listed in the 2024 Negative List are generally deemed as falling into categories of "encouraged" or "permitted" unless specifically restricted by other laws of the Chinese mainland. Our current business operations in the Chinese mainland falls in the "prohibited" industry for foreign investment. However, even though the Foreign Investment Law does not define contractual arrangements as a form of foreign investment explicitly, there can be no assurance that our contractual arrangements will be valid and legal at all times. In the event that any possible implementing regulations of the Foreign Investment Law, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, our contractual arrangements may be deemed as invalid and illegal, we may be required to unwind the variable interest entity contractual arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Furthermore, under the Foreign Investment Law, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. In addition, the Foreign Investment Law provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that we may be required to adjust the structure and corporate governance of certain of our Chinese mainland subsidiaries in such transition period. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

Laws and regulations of the Chinese mainland restrict foreign ownership of internet content provision, internet culture operation and internet publishing licenses, and substantial uncertainties exist with respect to the application and implementation of laws and regulations of the Chinese mainland.

We are a Cayman Islands exempted company and, as such, we are classified as a foreign enterprise under laws of the Chinese mainland. Various regulations of the Chinese mainland currently restrict foreign or foreign-owned entities from holding certain licenses required in the Chinese mainland to provide online game operation services over the internet, including ICP, and internet publishing licenses. In light of such restrictions, we primarily rely on Shanghai IT, the variable interest entity, to hold and maintain the licenses necessary for the operation of our online games in the Chinese mainland.

In July 2006, the Ministry of Industry and Information Technology, or the **MIIT**, issued a notice entitled "Notice on Strengthening Management of Foreign Investment in Operating Value-Added Telecommunication Services," or the MII Notice, which prohibits ICP license holders from leasing, transferring or selling a telecommunications business operating license to foreign investors in any form, or providing resources, sites or facilities to any foreign investors for their illegal operation of a telecommunications business in the Chinese mainland. The notice also requires that ICP license holders and their shareholders directly own the domain names and trademarks used by such ICP license holders in their daily operations. The notice further requires each ICP license holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunication service providers are required to maintain network and information security in accordance with the standards set forth under regulations of the Chinese mainland. The local authorities in charge of telecommunications services are required to ensure that existing ICP license holders conduct a self-assessment of their compliance with the MII Notice and submit status reports to the MIIT before November 1, 2006. Since the MII Notice was issued, we have transferred to Shanghai IT all of the domain names used in our daily operations and certain trademarks used in our daily operations, as required under the MII Notice. All necessary transfers have been completed and approvals have been obtained.

In September 2009, the General Administration of Press and Publication, Radio, Film and Television, or the **GAPPRFT** (formerly known as the General Administration of Press and Publication, or the **GAPP**), promulgated the Circular Regarding the Implementation of the Department Reorganization Regulation by State Council and Relevant Interpretation by State Commission Office for Public Sector Reform to Further Strengthen the Administration of Pre-approval on Online Games and Approval on Import Online Games, or the **GAPP Circular**, which provides that foreign investors shall not control or participate in online game operation businesses in the Chinese mainland indirectly or in a disguised manner by establishing joint venture companies or entering into agreements with, or by providing technical supports to, such online game operation companies in the Chinese mainland, or by inputting the users' registration, account management or game card consumption directly into the interconnected gaming platform or fighting platform controlled or owned by the foreign investor. In addition, on February 4, 2016, the GAPPRFT and the MIIT jointly issued the Administrative Measures on Network Publication, which took effect in March 2016. Pursuant to the Administrative Measures on Network Publication, wholly foreign-owned enterprises, Sino-foreign equity joint ventures and Sino-foreign cooperative enterprises shall not engage in the provision of web publishing services, including online game services. Project cooperation involving internet publishing services between an internet publishing service provider and a wholly foreign-owned enterprise, Sino-foreign equity joint venture, or Sino-foreign cooperative enterprise within the Chinese mainland or an overseas organization or individual shall be subject to prior examination and approval by the GAPPRFT. It is unclear whether the authorities will deem the variable interest entity structure as a kind of such "manners of cooperation" by foreign investors to gain control over or participate in domestic online game operators, and it is not clear whether the GAPPRFT and the MIIT have regulatory authority over the ownership structures of online game companies based in the Chinese mainland and online game operation in the Chinese mainland.

Subject to the interpretation and implementation of the GAPP Circular and the Administrative Measures on Network Publication, the ownership structure and the business operation models of our Chinese mainland subsidiaries and variable interest entity comply with all applicable laws, rules and regulations of the Chinese mainland, and no consent, approval or license is required under any of the existing laws and regulations of the Chinese mainland for their ownership structure and business operation models except for those which we have already obtained or which would not have a material adverse effect on our business or operations as a whole. There are, however, substantial uncertainties regarding the interpretation and application of current or future laws and regulations of the Chinese mainland. Accordingly, we cannot assure you that PRC government authorities will ultimately take a view that is consistent with the opinion of our PRC legal counsel.

For example, the Ministry of Commerce, promulgated the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in August 2011, or the **MOFCOM Security Review Rules**, to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated on February 3, 2011, or **Circular No. 6**. According to these circulars and rules, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises having "national security" concerns. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, the Ministry of Commerce will look into the substance and actual impact of the transaction. The MOFCOM Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that our online game operation services falls into the scope subject to the security review, and there is no requirement for foreign investors in those merger and acquisition transactions already completed prior to the promulgation of Circular No. 6 to submit such transactions to the Ministry of Commerce for security review. As we have already obtained the "de facto control" over the variable interest entity prior to the effectiveness of these circulars and rules, we do not believe we are required to submit our existing contractual arrangement to the Ministry of Commerce for security review. However, we are advised by our PRC legal counsel that, as there is a lack of clear statutory interpretation on the implementation of these circulars and rules, there is no assurance that the Ministry of Commerce will have the same view as we do when applying these national security review-related circulars and rules.

We have been further advised by our PRC counsel, Grandall Law Firm, that if we, any of our Chinese mainland subsidiaries or variable interest entity are found to be in violation of any existing or future laws or regulations of the Chinese mainland, including the MII Notice, the GAPP Circular and the Administrative Measures on Network Publication, or fail to obtain or maintain any of the required permits or approvals, the PRC regulatory authorities, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of Shanghai IT;
- confiscating our income or the income of Shanghai IT;
- discontinuing or restricting the operations of any related party transactions among us and Shanghai IT;
- limiting our business expansion in China by way of entering into contractual arrangements;
- imposing fines or other requirements with which we may not be able to comply;
- requiring Shanghai IT or us to restructure our corporate structure or operations; or
- requiring Shanghai IT or us to discontinue any portion or all of our operations related to online games.

The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business and on our results of operations. If any of these penalties results in our inability to direct the activities of Shanghai IT that most significantly impact its economic performance, and/or our failure to receive the economic benefits from Shanghai IT, we may not be able to consolidate Shanghai IT in our consolidated financial statements in accordance with U.S. GAAP.

We rely on contractual arrangements for our operations and operating licenses in the Chinese mainland, which may not be as effective as direct ownership.

Because the PRC government restricts our ownership of ICP, internet culture operation and internet publishing businesses in the Chinese mainland, we primarily depend on Shanghai IT, in which we have no ownership interest, and its subsidiary Shaoxing Jiuyu, to operate our online game business and other ICP related businesses, and hold and maintain the requisite licenses. We have relied and expect to continue to rely on contractual arrangements to conduct business operations through contractual arrangements with Shanghai IT. Such contractual arrangements may not be as effective as direct ownership. From the legal perspective, if Shanghai IT fails to perform its obligations under the contractual arrangements, we may have to incur substantial costs and spend other resources to enforce such arrangements, and rely on legal remedies under laws of the Chinese mainland, including seeking specific performance or injunctive relief and claiming damages. For example, if the shareholders of Shanghai IT were to refuse to transfer their equity interests in Shanghai IT to us or our designee when we exercise the call option pursuant to the Call Option Agreement, or if such shareholders otherwise act in bad faith toward us, we may have to take legal action to compel it to fulfill their contractual obligations, which could be time consuming and costly. Despite the lack of legal majority ownership, we are able to direct the activities of and derive economic benefits from the consolidated variable interest entity and therefore our Cayman Island holding company is considered the primary beneficiary of the consolidated variable interest entity for accounting purposes and consolidates the variable interest entity and its subsidiaries as required by Accounting Standards Codification topic 810, Consolidation. Accordingly, we treat the consolidated variable interest entity as a consolidated entity under U.S. GAAP and we consolidate the financial results of the consolidated variable interest entity in our consolidated financial statements in accordance with U.S. GAAP. Neither The9 Limited nor its investors have an equity ownership in, direct foreign investment in, or control through such ownership or investment of, the consolidated variable interest entity, and the contractual arrangements are not equivalent to an equity ownership in the business of the consolidated variable interest entity.

These contractual arrangements are governed by laws of the Chinese mainland and provide for the resolution of disputes through arbitration in the Chinese mainland. The legal environment in the Chinese mainland is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. We have historically derived significant revenues from Shanghai IT. For the year ended December 31, 2022, 2023 and 2024, Shanghai IT contributed 0.6%, 0.1% and 0.3%, respectively, of our total revenues. In the event we are unable to enforce the contractual arrangements, we may not be able to have the power to direct the activities that most significantly affect the economic performance of Shanghai IT, and our ability to conduct our business may be negatively affected, and we may not be able to consolidate the financial results of Shanghai IT into our consolidated financial statements in accordance with U.S. GAAP.

We believe that our option to purchase all or part of the equity interests in Shanghai IT, when and to the extent permitted by laws of the Chinese mainland, or request any existing shareholder of Shanghai IT to transfer all or part of the equity interest in Shanghai IT to another person or entity of the Chinese mainland we designate at any time in our discretion, and the rights under the Shareholder Voting Proxy Agreement that the shareholders of Shanghai IT have granted to us, effectively enable us to have the ability to cause the related contractual arrangements to be renewed when needed. However, if we are not able to effectively enforce these agreements or otherwise renew the agreements when they expire, our ability to receive the economic benefits of Shanghai IT may be adversely affected.

Our ability to enforce the Equity Pledge Agreements between us and the shareholders of Shanghai IT may be subject to limitations based on laws and regulations of the Chinese mainland.

Pursuant to the Equity Pledge Agreements with the shareholders of Shanghai IT, such shareholders agreed to pledge their equity interests in Shanghai IT to secure their performance under the contractual arrangements. According to the PRC Civil Code, if the pledgee and the pledgor agree before the expiration of the debt performance period that the pledged property shall belong to the pledgee in the event that the obligor fails to perform the due debt, the pledgee may only have priority in compensation in accordance with the law over the pledged property. If the obligor fails to perform the due debt or if the circumstances agreed upon by the parties for realizing the pledge rights occur, the pledgee may reach an agreement with the pledgor to offset the pledged property at a discounted price, or may have priority in compensation from the proceeds obtained through auction or sale of the pledged property. Such an auction or private sale may not result in our receipt of the full value of the equity interests in Shanghai IT. We consider it very unlikely that the public auction process would be undertaken since, in an event of default, our preferred approach is to ask Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd., or **Shanghai Hui Ling**, our wholly owned subsidiary in the Chinese mainland and a party to the Call Option Agreement, to replace or designate another person or entity in the Chinese mainland to replace the existing shareholders of Shanghai IT pursuant to the direct transfer option we have under the option agreement.

In addition, in the registration forms of the local branch of State Administration for Market Regulation (formerly known as the State Administration for Industry and Commerce) for the pledges over the equity interests under the Equity Pledge Agreements, the amount of registered equity interests in Shanghai IT pledged to us was stated as RMB23.0 million, which represent 100% of the registered capital of Shanghai IT. The Equity Pledge Agreements with the shareholders of Shanghai IT provide that the pledged equity interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the contractual arrangements and the scope of pledge shall not be limited by the amount of the registered capital of Shanghai IT. However, it is possible that a court of the Chinese mainland may take the position that the amount listed on the equity pledge registration forms represents the full amount of the collateral that has been registered and perfected. If this is the case, the obligations that are supposed to be secured under the Equity Pledge Agreements in excess of the amount listed on the equity pledge registration forms could be determined by the court of the Chinese mainland as unsecured debt, which takes last priority among creditors and often does not have to be paid back at all. We do not have agreements that pledge the assets of Shanghai IT for the benefit of us.

The principal shareholders of the variable interest entity have potential conflicts of interest with us, which may adversely affect our business.

Qi Wang and Wei Ji, two of our employees, are the principal shareholders of Shanghai IT, the variable interest entity. Thus, there may be conflicts of interest between their respective duties to our company as employees and their respective shareholder interests in the variable interest entity. We cannot assure you that when conflicts of interest arise, these persons will act in our best interests or that conflicts of interests will be resolved in our favor. These persons could violate their legal duties, including duties under their non-competition or employment agreements with us, by engaging in activities that are not in the best interest in our company, such as diverting business opportunities from us. In any such event, we would have to rely on the PRC legal system to enforce these agreements. Any legal proceeding could result in the disruption of our business, diversion of our resources and the incurrence of substantial costs. See "—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us."

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

We could face material and adverse tax consequences if the PRC tax authorities determine that our contractual arrangements with Shanghai IT were not made on reasonable or arm's length commercial terms or otherwise. If this were to occur, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could result in a reduction, for PRC tax purposes, of costs and expenses recorded by the variable interest entity, which could adversely affect us by: (i) increasing the tax liability of the variable interest entity without reducing the tax liability of our other Chinese mainland subsidiaries, which could further result in late payment fees and other penalties to the variable interest entity for underpaid taxes; or (ii) limiting the abilities of the variable interest entity to maintain preferential tax treatments and other financial incentives.

Risks Related to Doing Business in China

Our business may be adversely affected by public opinion and government policies in China.

Due to the population of mobile internet and higher degree of user loyalty to mobile games, easy access to personal computers and mobile devices, and lack of more appealing forms of entertainment in China, many teenagers frequently play online games. This may result in these teenagers spending less time on, or refraining from, other activities, including education and sports. In April 2007, various governmental authorities, including the GAPP, the MIIT, the Ministry of Education, the Ministry of Public Security, and other authorities jointly issued a circular concerning the mandatory implementation of an "anti-fatigue system" in online games, which aims to protect the physical and psychological health of minors. This circular required all online games to incorporate an "anti-fatigue system" and an identity verification system, both of which have limited the amount of time that a minor or other user may continually spend playing an online game. We have implemented such "anti-fatigue" and identification systems on all of our online games as required. Since March 2011, various governmental authorities, including the MIIT, the Ministry of Education, the Ministry of Public Security, and other authorities have jointly launched the "**Online Game Parents Guardianship Project for Minors**," which allows parents to require online game operators to take measures to limit the time spent by the minors playing online games and the minors' access to their online game accounts. On February 5, 2013, the Ministry of Culture, the MIIT, the GAPP and various other governmental authorities, jointly issued the Working Plan on the Comprehensive Prevention Scheme on Online Game Addiction of Minors, which further strengthens the administration of internet cafés, reinstates the importance of the "anti-fatigue system" and "Online Game Parents Guardianship Project for Minors" as prevention measures against the online game addiction of minors and orders the governmental authorities to take all necessary actions in implementing such measures. In August 2021, the GAPPRFT issued the Notice by the National Press and Publication Administration of Further Imposing Strict Administrative Measures to Prevent Minors from Becoming Addicted to Online Games, which imposed an array of restrictive measures to prevent underage users to indulge in online games. For example, all online game enterprises can only provide minors with one hour of online game services between 8 p.m. and 9 p.m. on Friday, weekends and statutory holidays, and are not allowed to provide online game services in any form to minors in any other time. Further strengthening of these systems, or enactment by the PRC government of any additional laws to further tighten its administration over the internet and online games may result in less time spent by customers or fewer customers playing our online games, which may materially and adversely affect our business results and prospects for future growth.

Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.

As the gaming industry is highly sensitive to business and personal discretionary spending, it tends to decline during general economic downturns. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past twenty years, growth has slowed down since 2012 and has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. While some of these measures benefit the overall PRC economy, they may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. As the PRC economy is increasingly intricately linked to the global economy, it is affected in various respects by downturns and recessions of major economies around the world. The various economic and policy measures the PRC government enacts to forestall economic downturns or shore up the PRC economy could affect our business.

Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in the Chinese mainland are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. These actions, as well as future actions and policies of the PRC government, could materially affect our liquidity and access to capital and our ability to operate our business.

The laws and regulations governing the online game industry in the Chinese mainland are developing and subject to future changes. If we fail to obtain or maintain all applicable permits and approvals, our business and operations could be materially and adversely affected.

The online game industry in the Chinese mainland is highly regulated by the PRC government. Various regulatory authorities of the PRC central government, such as the State Council, the MIIT, the GAPPRFT, the Ministry of Culture and the Tourism (formerly known as the Ministry of Culture), the Ministry of Public Security, are empowered to issue and implement regulations governing various aspects of the online games industry.

We are required to obtain applicable permits or approvals from different regulatory authorities in order to provide online games to our customers. For example, an internet content provider must obtain a value-added telecommunications business operating license for ICP, or **ICP License**, in order to engage in any commercial ICP operations within the Chinese mainland. In addition, an online games operator must also obtain a license from the Ministry of Culture and the Tourism and a license from the GAPPRFT in order to distribute games through the internet. Furthermore, an online game operator is required to obtain approval from the Ministry of Culture and the Tourism in order to distribute virtual currencies for online games such as prepaid value cards, prepaid money or game points. If we fail to obtain or maintain any of the required filings, permits or approvals in the future, we may be subject to various penalties, including fines and the discontinuation or restriction of our operations. Any such disruption in our business operations would materially and adversely affect our financial condition and results of operations.

As the online game industry is at an early stage of development in the Chinese mainland, new laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have, and may address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future laws and regulations of the Chinese mainland applicable to the online gaming industry. We cannot assure you that we will be able to timely obtain any new license required in the future, or at all. While we believe that we are in compliance in all material respects with all applicable laws and regulations of the Chinese mainland currently in effect, we cannot assure you that we will not be found in violation of any current or future laws and regulations of the Chinese mainland.

Regulation and censorship of information disseminated over the internet in the Chinese mainland may adversely affect our business, and we may be liable for information displayed on, retrieved from, or linked to our internet websites.

The PRC government has adopted certain regulations governing internet access and the distribution of news and other information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates laws and regulations of the Chinese mainland, impairs the national dignity of China, or is obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements could result in the revocation of ICP and other required licenses and the closure of the concerned websites. The website operator may also be held liable for such prohibited information displayed on, retrieved from or linked to such website.

The Ministry of Culture and the Tourism has promulgated laws and regulations that reiterate the government's policies to prohibit the distribution of games with violence, cruelty or other elements that are believed to have the potential effect of instigating crimes, and to prevent the influx of harmful cultural products from overseas.

The Ministry of Culture and the Tourism has promulgated laws and regulations that require, among other things, (i) the review and prior approval of all new online games licensed from foreign game developers and related license agreements, (ii) the review of patches and updates with substantial changes of games which have already been approved, and (iii) the filing of domestically developed online games. Furthermore, online games, regardless of whether imported or domestic, will be subject to content review and approval by the GAPPRFT prior to the commencement of games operations in the Chinese mainland. Failure to obtain or renew approvals or to complete filings for online games, including mobile games, may materially delay or otherwise affect game operator's plans to launch new games, and the operator may be subject to fines, restriction or suspension of operations of the related games or revocation of licenses in the event that the governmental authority believes that the violation is severe. We obtained the necessary approvals from and completed necessary filings with the Ministry of Culture and the GAPP for operations of our games as applicable. Consistent with the general practice of the mobile and TV game industry in the Chinese mainland, we have not yet completed filings with the Ministry of Culture and the GAPPRFT for our mobile and TV games before we commenced our operations. If any such negative event occurs, our business, financial condition and results of operations may be materially and adversely affected.

In addition, the MIIT has published regulations that subject website operators to potential liability for content included on their websites and the actions of users and others using their websites, including liability for violations of laws of the Chinese mainland prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local internet service provider to block any internet website maintained outside of the Chinese mainland at its sole discretion. Periodically, the Ministry of Public Security has stopped the dissemination over the internet of information which it believes to be socially destabilizing. The State Secrecy Bureau, which is directly responsible for the protection of State secrets of the PRC government, is authorized to block any website it deems to be leaking state secrets or failing to meet the regulations relating to the protection of state secrets in the dissemination of online information.

As these regulations are subject to interpretation by the authorities, it may not be possible for us to determine in all cases the type of content that could result in liability for us as a website operator. In addition, we may not be able to control or restrict the content of other internet content providers linked to or accessible through our websites, or content generated or placed on our websites by our users, despite our attempt to monitor such content. To the extent that regulatory authorities find any portion of our content objectionable, they may require us to limit or eliminate the dissemination of such information or otherwise curtail the nature of such content on our websites, which may reduce our user traffic and have a material adverse effect on our financial condition and results of operations. In addition, we may be subject to significant penalties for violations of those regulations arising from information displayed on, retrieved from or linked to our websites, including a suspension or shutdown of our operations.

The PCAOB may be unable to inspect or investigate completely our auditor in relation to their audit work performed for our financial statements. If the PCAOB is unable to conduct such inspection, our investors would be deprived of the benefits of such inspection.

Our auditor, the independent registered public accounting firm that issue the audit report included elsewhere in this annual report, as auditor of companies with securities that are traded publicly in the United States and firms registered with the PCAOB, are subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess their compliance with the applicable professional standards. The inability of the PCAOB to conduct inspections of auditors in the Chinese mainland and Hong Kong in the past has made it more difficult to evaluate the effectiveness of these auditors' audit procedures or quality control procedures as compared to auditors outside of the Chinese mainland and Hong Kong that are subject to the PCAOB inspections. Our independent registered public accounting firm, RBSM LLP, or **RBSM**, is headquartered in New York, New York, and has been inspected by the PCAOB on a regular basis. The PCAOB currently has access to inspect the working papers of our auditor. Our auditor is not headquartered in the Chinese mainland or Hong Kong and was not identified as a firm subject to the PCAOB determinations announced on December 16, 2021 and as of the filing date of this annual report. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed the Chinese mainland and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in the Chinese mainland and Hong Kong, and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the Securities and Exchange Commission, we and investors in the ADSs would be deprived of the benefits of such PCAOB inspections again, which could cause investors and potential investors in the ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect or investigate completely auditors located in the Chinese mainland and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the Securities and Exchange Commission. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Pursuant to the Holding Foreign Companies Accountable Act, or the **HFCAA**, if the SEC determines that we have filed audit reports issued by an independent registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in the Chinese mainland and Hong Kong. Our auditor is not headquartered in the Chinese mainland or Hong Kong and was not identified as a firm subject to the PCAOB determinations announced on December 16, 2021 and as of the filing date of this annual report. Our auditor has been inspected by the PCAOB on a regular basis. The PCAOB currently has access to inspect the working papers of our auditor. On December 15, 2022, the PCAOB removed the Chinese mainland and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 20-F for the fiscal year ended December 31, 2024.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in the Chinese mainland and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in the Chinese mainland and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the Securities and Exchange Commission, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the HFCAA, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. A prohibition of being able to trade in the United States would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty arising from delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

Changes in international trade policies and rising political tensions, particularly between the U.S. and China, may adversely impact our business and operating results.

There have been changes in international trade policies and rising political tensions, particularly between the U.S. and China, but also as a result of the conflict in Ukraine and sanctions on Russia. The U.S. government has made statements and taken certain actions that may lead to potential changes to U.S. and international trade policies towards many countries, including China. For example, export controls, economic and trade sanctions have been threatened and/or imposed by the U.S. government on a number of Chinese technology companies. The United States has also threatened to impose further export controls, sanctions, trade embargoes, and other heightened regulatory requirements on China and Chinese companies for alleged activities both inside and outside of China. Against this backdrop, China has implemented, and may further implement, measures in response to the changing trade policies, treaties, tariffs and sanctions and restrictions against Chinese companies initiated by the U.S. government. For example, the Ministry of Commerce of China published Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures in January 2021 to counter restrictions imposed by foreign countries on Chinese citizens and companies.

We are monitoring policies in the United States that are aimed at restricting U.S. persons from investing in certain Chinese companies and/or imposing sanctions on Chinese entities. The United States and various foreign governments have imposed controls, license requirements and restrictions on the import or export of or investing in technologies and products (or voiced the intention to do so). For instance, in October 2022, the Bureau of Industry and Security (BIS) of the U.S. Department of Commerce issued rules aimed at restricting China's ability to obtain advanced computing chips, develop and maintain supercomputers and manufacture advanced semiconductors. On August 9, 2023, the Biden administration released an executive order directing the U.S. Department of the Treasury to create an outbound FDI review program that will require reporting on or (in more narrow circumstances) will prohibit investments by U.S. persons involving "covered national security technologies and products." On June 21, 2024, the U.S. Department of the Treasury issued a notice of proposed rulemaking on outbound U.S. investment involving China that generally follows the advanced notice of proposed rulemaking. On October 28, 2024, the U.S. Department of the Treasury issued a final rule imposing restrictions on U.S. outbound investment in Chinese companies active in developing certain national security technologies. The final rule took effect on January 2, 2025. The final rule targets investments involving persons and entities associated with "countries of concern," currently limited to China, and it imposes investment prohibition and notification requirements on a wide range of investments in companies engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, with persons from countries of concern engaged in these technologies defined as "covered foreign persons." Investments by U.S. persons subject to the final rule, which are defined as "covered transactions," include acquisition of equity or a contingent equity interest, provision of certain debt financing, conversion of contingent equity interest into equity interest, involvement in greenfield or brownfield investment, entrance into a joint venture, and acquisition of a limited partner interest in non-U.S. pooled investment fund. The final rule excludes some investments from the scope of "covered transactions," including those in publicly traded securities listed on a national stock exchange. The final rule is aimed at exerting greater U.S. government oversight over U.S. direct and indirect investments involving China, and may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based companies. We do not believe we would be defined as "covered foreign person" under the final rule, because we do not engage in a "covered activity" (as defined in the final rule) or otherwise meet the definition of "covered foreign person" provided in the final rule. However, there is no assurance that the U.S. Department of the Treasury will take the same view as ours. If we were to be deemed a "covered foreign person," and if U.S. persons engaged in a "covered transaction" that involves the acquisition of our equity interests, such U.S. persons may be prohibited to do so or may need to make a notification, as applicable pursuant to the final rule. In addition, our ability to raise capital or contingent equity capital from U.S. investors may be limited due to the final rule and other similar laws, regulations and policies, given that relevant laws, regulations, and policies continue to evolve and we cannot rule out the possibility of being deemed a covered foreign person in the future due to different views taken by the U.S. Department of Treasury, potential amendments to the final rule or the introduction of similar regulations. If our ability to raise such capital is significantly and negatively affected, it could be detrimental to our business, financial condition and prospects.

Rising trade and political tensions could reduce levels of trade, investments, technological exchanges and other economic activities between China and other countries, which would have an adverse effect on global economic conditions, the stability of global financial markets, and international trade policies. We may expand our business internationally in the future. Any unfavorable government policies on international trade or any restriction on Chinese companies may affect consumer demand for our products and service, impact our competitive position, or prevent us from being able to conduct business in certain countries. In addition, our results of operations could be adversely affected if any such tensions or unfavorable government trade policies harm the Chinese economy or the global economy in general.

We may be adversely affected by the complexity, uncertainties and changes in regulation in the Chinese mainland of blockchain, and internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

We only have contractual control over our websites. We do not directly own the websites due to the restriction of foreign investment in businesses providing value-added telecommunication services in the Chinese mainland, including internet information provision services. This may significantly disrupt our business, subject us to sanctions, compromise enforceability of related contractual arrangements, or have other harmful effects on us.

The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office (with the involvement of the State Council Information Office, the MIIT, and the Ministry of Public Security). The primary role of this new agency is to facilitate the policy-making and legislative development in this field, to direct and coordinate with the departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry.

Shanghai IT, the variable interest entity operating our online gaming business, may be deemed to be providing commercial internet information services and transaction processing services, which would require Shanghai IT to obtain an ICP License.

An ICP License is a value-added telecommunications business operating license required for provision of commercial internet information services. As of the date of this annual report, Shanghai IT owns the ICP License, as well as our newly established joint venture company, Shaoxing Jiuyu. Furthermore, if we will provide mobile applications to mobile device users, it is uncertain if Shanghai IT will be required to obtain a separate value-added telecommunications business operating license with respect to the services provided through mobile devices in addition to the ICP License. Although we believe that not obtaining such separate license is in line with the current market practice, there can be no assurance that we will not be required to apply for an operating license for our mobile applications in the future.

The Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, issued by the MIIT in July 2006, prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for its illegal operation of a telecommunications business in the Chinese mainland. According to this circular, either the holder of a value-added telecommunication services operation permit or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The circular also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. Shanghai IT currently owns the domain names and trademarks in connection with our value-added telecommunications business and has the necessary personnel to operate our websites. If an ICP License holder fails to comply with the requirements and also fails to remedy such non-compliance within a specified period of time, the MIIT or its local counterparts have the discretion to take administrative measures against such license holder, including revoking its ICP License.

The interpretation and application of existing laws, regulations and policies in the Chinese mainland and possible new laws, regulations or policies in the Chinese mainland relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in the Chinese mainland, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in the Chinese mainland or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material adverse effect on our business and results of operations.

On September 15, 2021, the People's Bank of China, together with the China Securities Regulatory Commission, the State Administration of Foreign Exchange, and other departments, jointly issued the Notice on Further Preventing and Dealing with the Risks of Virtual Currency Trading and Speculation, which clarified that virtual currencies do not have the same legal status as legal tender. Activities related to virtual currencies are considered illegal financial activities, including, but not limited to, the exchange between legal tender and virtual currencies, exchange between virtual currencies, buying and selling virtual currencies as a central counterparty, providing intermediary and pricing services for virtual currency transactions, token issuance financing, and virtual currency derivative transactions. These activities are suspected of illegal issuance of tokens and securities, illegal issuance of securities, illegal futures business, and illegal fundraising.

While Chinese law does not prohibit the possession of Bitcoin, it does restrict financial activities related to virtual currencies, including any crimes committed through virtual currency transactions. This means that non-financial activities involving Bitcoin, such as holding or transferring Bitcoin as a commodity without engaging in trading or other financial services, are not explicitly prohibited. However, all forms of trading, exchange, and financial transactions involving virtual currencies are considered illegal financial activities in China.

Substantial uncertainties remain as to whether our activities will be deemed as prohibited trading and financial activities under the laws of the Chinese mainland. If such activities are deemed as prohibited trading and financial activities under the laws of the Chinese mainland, the legal consequences would be that these activities are invalid and therefore not protected by the laws of the Chinese mainland. These uncertainties could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects.

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

We conduct our business globally through our subsidiaries in the U.S., Kazakhstan, Hong Kong and Singapore, and conduct our business operations through the variable interest entity in the Chinese mainland. Our operations in the Chinese mainland are governed by laws and regulations of the Chinese mainland. The PRC government has significant oversight and discretion over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation and/or the value of our ADSs. Also, the PRC government has indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers in recent years. For example, on July 6, 2021, the PRC government authorities made public the Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by PRC- based companies and proposed to take effective measures, such as promoting the construction of regulatory systems to deal with the risks and incidents faced by PRC-based overseas-listed companies. On September 24, 2024, the State Council promulgated the Regulation on Network Data Security Management, which took effect on January 1, 2025. This regulation applies to network data handling activities and the supervision and administration of security thereof carried out within the territory of the PRC. This Regulation also applies to the activities outside the territory of the PRC to handle the personal information of natural persons within the territory of the PRC, which conform to the following circumstances prescribed in the second paragraph of Article 3 of the Law of the PRC on the Protection of Personal Information, including: (i) where the purpose is to provide domestic natural persons with products or services; (ii) where the activities of domestic natural persons are analyzed and evaluated; and (iii) other circumstances as prescribed by laws and administrative regulations. Besides, where network data processors carry out network data processing activities that affect or may affect national security, they shall carry out a national security review in accordance with relevant national regulations. This regulation also stipulates network data processors may transmit personal information abroad if it meets any of the certain conditions, such as having passed the security assessment for data cross-border transmission organized by the state cyberspace administration, or having been certified by a specialized agency in respect of the protection of personal information in accordance with the provisions of the state cyberspace administration, or meeting the provisions on standard contract for cross-border transmission of personal information as developed by the state cyberspace administration etc.

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

We may rely on dividends and other distributions on equity paid by our Chinese mainland subsidiaries to fund any cash and financing requirements we may have. Although currently substantially all of our revenue is generated from our subsidiaries outside of the Chinese mainland, any limitation on the ability of our Chinese mainland subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we may rely on dividends and other distributions on equity paid by our Chinese mainland subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. After the middle of 2021, substantially all of our revenue is generated from our subsidiaries outside of the Chinese mainland. However, any limitation on the ability of our Chinese mainland subsidiaries to make payments to us may still have a material adverse effect on our ability to conduct our business. If our Chinese mainland subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require our Chinese mainland subsidiaries to adjust their taxable income under the contractual arrangements they currently have in place with the consolidated variable interest entity in a manner that would materially and adversely affect their ability to pay dividends and other distributions to us. See "—Risks Related to Our Corporate Structure—Our contractual arrangements with the variable interest entity may result in adverse tax consequences to us."

Under laws and regulations of the Chinese mainland, our Chinese mainland subsidiaries, as wholly foreign-owned enterprises in the Chinese mainland, may pay dividends only out of their respective accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such funds reaches 50% of its registered capital. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Any limitation on the ability of our Chinese mainland subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Future movements in exchange rates between the U.S. dollar and the RMB may adversely affect the value of our ADSs.

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

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. Very limited hedging options are available in the Chinese mainland to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by exchange control regulations of the Chinese mainland that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Restrictions on currency exchange in the Chinese mainland limit our ability to utilize our revenues effectively, make dividend payments and meet our foreign currency denominated obligations.

In 2024, we derived an insignificant portion of our revenues from the Chinese mainland and most of our revenues were not denominated in RMB. For the limited portion of revenues that are denominated in RMB, restrictions on currency exchange in the Chinese mainland limit our ability to utilize revenues generated in RMB to fund our business activities outside of the Chinese mainland, make dividend payments in U.S. dollars, or obtain and remit sufficient foreign currency to satisfy our foreign currency-denominated obligations, such as paying license fees and royalty payments. The principal regulation governing foreign currency exchange in the Chinese mainland is the Foreign Exchange Administration Rules (1996), as amended. Under such rules, the RMB is generally freely convertible for trade and service-related foreign exchange transactions, but not for direct investment, loans or investment in securities outside of the Chinese mainland unless the prior approval of the State Administration of Foreign Exchange, or **SAFE**, or designated banks is obtained. Although the government regulations of the Chinese mainland now allow greater convertibility of RMB for current account transactions, significant restrictions still remain. For example, foreign exchange transactions under capital account of our Chinese mainland subsidiaries, including principal payments in respect of foreign currency-denominated obligations, remain subject to significant foreign exchange controls and the approval and filing procedures of SAFE or authorized banks, as applicable. These limitations could affect our ability to obtain foreign exchange for capital expenditures. We cannot be certain that the PRC regulatory authorities will not impose more stringent restrictions on the convertibility of the RMB, especially with respect to foreign exchange transactions. As a result, there is no assurance the PRC government will not intervene in or impose restrictions on the ability of us, our subsidiaries, and the consolidated variable interest entity to transfer cash. To the extent cash in the business is in the Chinese mainland or an entity in the Chinese mainland, the funds may not be available to fund operations or for other use outside of the Chinese mainland due to interventions in or the imposition of restrictions and limitations on the ability of us, our subsidiaries, or the variable interest entity by the PRC government to transfer cash.

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

We are an offshore holding company conducting our operations in the Chinese mainland through our Chinese mainland subsidiaries and the variable interest entity. We may make loans to our Chinese mainland subsidiaries and the variable interest entity subject to the approval from or registration with governmental authorities and limitation on amount, we may make additional capital contributions to our wholly foreign-owned Chinese mainland subsidiaries, we may establish new Chinese mainland subsidiaries and make capital contributions to these new Chinese mainland subsidiaries, or we may acquire offshore entities with business operations in the Chinese mainland in an offshore transaction.

Most of the aforementioned ways of making loans or investments in entities in the Chinese mainland are subject to regulations and approvals of the Chinese mainland. For example, any loans to our Chinese mainland subsidiaries and the variable interest entity are subject to applicable foreign loan registrations with the local counterpart of SAFE and limitation on amount under laws of the Chinese mainland. If we decide to finance our wholly owned subsidiary in the Chinese mainland by means of capital contributions, these capital contributions are subject to filing and registration with certain PRC government authorities, including the Ministry of Commerce or its local counterparts and the SAMR through its Enterprise Registration System, the National Enterprise Credit Information Publicity System and the local counterpart of SAFE. In addition, an FIE shall use its capital pursuant to the principle of authenticity and self-use within its business scope.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign Invested Enterprises, or the SAFE Circular 19, effective June 2015 and amended on December 2019, in replacement of a former regulation. According to the SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans (unless otherwise permitted in the business license), the repayment of inter-enterprise loans or the repayment of bank loans that have been transferred to a third party. Although the SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the Chinese mainland, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the Chinese mainland in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or the SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in the SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Specifically, the SAFE Circular 16 provides that the capital of an FIE shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of such FIE or the payment prohibited by laws and regulations; (ii) directly or indirectly used for investment in securities or investments in financial management other than banks' principal-secured products unless otherwise provided by laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises). Violations of the SAFE Circular 19 and the SAFE Circular 16 could result in administrative penalties. The SAFE Circular 19 and the SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold to our Chinese mainland subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in the Chinese mainland. On October 23, 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in the Chinese mainland, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. On April 10, 2020, SAFE promulgated the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business, or the SAFE Circular 8, under which eligible enterprises are allowed to make domestic payments by using their capital funds, foreign loans and the income under capital accounts of overseas listing without providing the evidentiary materials concerning authenticity of each expenditure in advance, provided that their capital use shall be authentic and conforms to the prevailing administrative regulations on the use of income under capital accounts.

Because we conduct business operations through contractual arrangement with the consolidated variable interest entity through contractual arrangements, we are not able to make capital contribution to the variable interest entity and its subsidiaries; however, we may provide financial support to them by loans. Under the laws and regulations of the Chinese mainland, loans to the variable interest entity directly from the Cayman entity shall not exceed 200% of the net assets of the variable interest entity, whereas loans from our Chinese mainland subsidiaries, subject to the laws and regulations of the Chinese mainland concerning foreign currency, are not subject to amount limitations. Even though Renminbi capital, foreign debt and repatriated funds raised through overseas listing may be used at the discretion of the foreign-invested enterprise pursuant to the SAFE Circular 19 and the SAFE Circular 16, it is still not clear whether our Chinese mainland subsidiaries, as foreign invested enterprises, are allowed to extend intercompany loans to the variable interest entity. Despite the lack of legal majority ownership, we are able to direct the activities of and derive economic benefits from the consolidated variable interest entity and therefore our Cayman Island holding company is considered the primary beneficiary of the consolidated variable interest entity for accounting purposes and consolidates the variable interest entity and its subsidiaries as required by Accounting Standards Codification topic 810, Consolidation. Accordingly, we treat the consolidated variable interest entity as a consolidated entity under U.S. GAAP and we consolidate the financial results of the consolidated variable interest entity in our consolidated financial statements in accordance with U.S. GAAP. Neither The9 Limited nor its investors have an equity ownership in, direct foreign investment in, or control through such ownership or investment of, the consolidated variable interest entity, and the contractual arrangements are not equivalent to an equity ownership in the business of the consolidated variable interest entity.

In light of the various requirements imposed by regulations of the Chinese mainland on loans to and direct investment in entities in the Chinese mainland by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to our future loans to our Chinese mainland subsidiaries or the variable interest entity or its subsidiaries or with respect to our future capital contributions to our Chinese mainland subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our operations in the Chinese mainland may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Regulations of the Chinese mainland relating to the establishment of offshore special purpose companies by residents of the Chinese mainland may subject our resident shareholders in the Chinese mainland or us to penalties and fines, and limit our ability to inject capital into our Chinese mainland subsidiaries, limit our subsidiaries' ability to increase their registered capital, distribute profits to us, or otherwise adversely affect us.

On July 4, 2014, SAFE issued the Circular on Several Issues Concerning Foreign Exchange Administration of Domestic Residents Engaging in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles, or the **SAFE Circular 37**. The SAFE Circular 37 and its detailed guidelines require residents of the Chinese mainland to register with the local branch of SAFE before contributing their legally owned onshore or offshore assets or equity interest into any special purpose vehicle, or **SPV**, directly established, or indirectly controlled, by them for the purpose of investment or financing. The SAFE Circular 37 further requires that when there is (a) any change to the basic information of the SPV, such as any change relating to its individual resident shareholders of the Chinese mainland, name or operation period or (b) any material change, such as increase or decrease in the share capital held by its individual resident shareholders of the Chinese mainland, a share transfer or exchange of the shares in the SPV, or a merger or split of the SPV, the resident of the Chinese mainland must register such changes with the local branch of SAFE on a timely basis.

We have requested all of our shareholders who, based on our knowledge, are residents of the Chinese mainland or whose ultimate beneficial owners are residents of the Chinese mainland to comply with all applicable SAFE registration requirements. However, we have no control over our shareholders. We cannot assure you that the beneficial owners in the Chinese mainland of our company and our subsidiaries have completed the required SAFE registrations or complied with other related requirements. Nor can we assure you that they will be in full compliance with the SAFE registration in the future. Any non-compliance by the beneficial owners in the Chinese mainland of our company and our subsidiaries may subject us or such resident shareholders of the Chinese mainland to fines and other penalties. It may also limit our ability to contribute additional capital to our Chinese mainland subsidiaries and our subsidiaries' ability to distribute profits or make other payments to us.

Regulation in the Chinese mainland of direct investment and loans by offshore holding companies to entities in the Chinese mainland may delay or limit us from using offshore assets, including the proceeds of our initial public offering and other offering, to make additional capital contributions or loans to our subsidiary in the Chinese mainland.

We are an offshore holding company conducting our operations in the Chinese mainland through our Chinese mainland subsidiaries, the variable interest entity and its subsidiaries. We may make loans to our subsidiary in the Chinese mainland, the variable interest entity and its subsidiaries, subject to the approval from governmental authorities and limitation of amount, or we may make additional capital contributions to our subsidiary in the Chinese mainland.

Any loans to our Chinese mainland subsidiaries, which are treated as foreign-invested enterprises under laws of the Chinese mainland, are subject to foreign exchange loan registrations. In addition, a foreign-invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign invested enterprise shall not be used for the following purposes: (i) direct or indirect payment beyond the business scope of the enterprises or the payment prohibited by the laws and regulations; (ii) direct or indirect investment in securities or investments other than banks' principal-secured products unless otherwise provided by laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).In light of the various requirements imposed by regulations of the Chinese mainland on loans to and direct investment in entities in the Chinese mainland by offshore holding companies, we cannot assure you that we will be able to complete the necessary registration or obtain the necessary approval on a timely basis, or at all. If we fail to complete the necessary registration or obtain the necessary approval, our ability to make loans or equity contributions to our subsidiary in the Chinese mainland may be negatively affected, which could adversely affect the liquidity of our subsidiary in the Chinese mainland and its ability to fund its working capital and expansion projects and meet its obligations and commitments.

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

In February 2012, SAFE promulgated the Notice of the State Administration of Foreign Exchange on the Relevant Issues Concerning the Administration of Foreign Exchange for Domestic Individuals' Participation in Equity Incentive Programs of Overseas Listed Companies, or **Circular 7**. Under Circular 7, residents of the Chinese mainland who participate in stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are residents of the Chinese mainland must retain a qualified agent in the Chinese mainland, which could be a subsidiary in the Chinese mainland of such overseas publicly listed company or another qualified institution selected by such subsidiary in the Chinese mainland, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the agent in the Chinese mainland is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the agent in the Chinese mainland or the overseas entrusted institution or other material changes. We and our employees in the Chinese mainland who have been granted stock incentive awards are subject to these regulations. However, neither our plan participants in the Chinese mainland nor we have completed such requisite registration and other procedures. In addition, we cannot assure you that we will be able to complete the registration for new employees who participate in such stock incentive plan in the future in a timely manner or at all. Failure of our plan participants in the Chinese mainland to complete their SAFE registrations may subject these residents in the Chinese mainland or us to fines and legal sanctions and may also limit our ability to contribute additional capital into our subsidiary in the Chinese mainland, limit the ability of our subsidiary in the Chinese mainland to distribute dividends to us, or otherwise materially and adversely affect our business. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under laws of the Chinese mainland.

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

We conduct our business primarily through our subsidiaries, and through the variable interest entity in the Chinese mainland. Our Chinese mainland subsidiaries are generally subject to laws and regulations applicable to foreign investment in the Chinese mainland and, in particular, laws applicable to wholly-foreign-owned enterprises. We entered into a series of contractual arrangements with the variable interest entity in the Chinese mainland to conduct business operations. Almost all of the agreements under those contractual arrangements are governed by laws of the Chinese mainland and disputes arising out of these agreements are expected to be decided by arbitration in the Chinese mainland. The legal system of the Chinese mainland is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Legislation and regulations of the Chinese mainland have significantly enhanced the protections afforded to various forms of foreign investments in the Chinese mainland for the past decades. Despite the lack of legal majority ownership, we are able to direct the activities of and derive economic benefits from the consolidated variable interest entity and therefore our Cayman Island holding company is considered the primary beneficiary of the consolidated variable interest entity for accounting purposes and consolidates the variable interest entity and its subsidiaries as required by Accounting Standards Codification topic 810, Consolidation. Accordingly, we treat the consolidated variable interest entity as a consolidated entity under U.S. GAAP and we consolidate the financial results of the consolidated variable interest entity in our consolidated financial statements in accordance with U.S. GAAP. Neither The9 Limited nor its investors have an equity ownership in, direct foreign investment in, or control through such ownership or investment of, the consolidated variable interest entity, and the contractual arrangements are not equivalent to an equity ownership in the business of the consolidated variable interest entity.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations.

PRC government has significant oversight over the conduct of our business and it has indicated an intent to exert more oversight over offerings that are conducted overseas and/or foreign investment in China-based issuers in recent years. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

We may not be able to pursue growth through strategic acquisitions in the Chinese mainland due to complicated procedures under PRC laws and regulations for foreign investors to acquire companies in the Chinese mainland.

In recent years, certain laws and regulations of the Chinese mainland have established procedures and requirements that are expected to make merger and acquisition activities in the Chinese mainland by foreign investors more time-consuming and complex. These laws and regulations include, without limitation, the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors, or the **M&A Rules**, and the Anti-Monopoly Law and the MOFCOM Security Review Rules. In some instances, the Ministry of Commerce needs to be notified in advance of any change-of-control transaction in which a foreign investor takes control of a domestic enterprise in the Chinese mainland. The approval by the Ministry of Commerce may also need to be obtained in circumstances where overseas companies established or controlled by enterprises or residents in the Chinese mainland acquire affiliated domestic companies. Laws and regulations of the Chinese mainland also require certain merger and acquisition transactions to be subject to merger control review or security review. The MOFCOM Security Review Rules, effective from September 1, 2011, provide that, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors shall be subject to the security review by the Ministry of Commerce, the principle of substance over form shall be applied. In particular, foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

If the business of any target company that we expect to acquire becomes subject to the security review, we may not be able to successfully complete the acquisition of such company, either by equity or asset acquisition, capital contribution or through any contractual arrangement. Complying with the requirements of the laws and regulations of the Chinese mainland to complete acquisition transactions could become more time-consuming and complex. Any required approval, such as approval by the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to grow our business or increase our market share. Furthermore, it is uncertain whether the M&A Rules, security review rules or the other regulations of the Chinese mainland regarding the acquisitions of companies in the Chinese mainland by foreign investors will be amended when the Foreign Investment Law becomes effective in the future.

The continued growth of the Chinese mainland's internet market depends on the establishment of adequate telecommunications infrastructure.

Although private sector internet service providers currently exist in the Chinese mainland, almost all access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Chinese mainland's MIIT. In addition, the national networks in the Chinese mainland connect to the internet through government-controlled international gateways. These government-controlled international gateways are the only channel through which a domestic user in the Chinese mainland can connect to the international internet network. We rely on this infrastructure to provide data communications capacity primarily through local telecommunications lines. Although the government has announced plans to aggressively develop the national information infrastructure, we cannot assure you that this infrastructure will be developed as planned or at all. In addition, we will have no access to alternative networks and services, on a timely basis if at all, in the event of any infrastructure disruption or failure. The internet infrastructure in the Chinese mainland may not support the demands necessary for the continued growth in internet usage.

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

We are an exempted company incorporated under the laws of the Cayman Islands. We no longer conduct substantially all of our operations in China and substantially all of our assets are no longer located in China. However, all our senior executive officers reside within China for a significant portion of the time. As a result, it may be difficult for you to effect service of process upon us or our management residing in China. In addition, China does not have treaties providing for reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-Chinese mainland jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

It may be difficult for overseas regulators to conduct investigation or collect evidence within China.

According to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the Chinese mainland. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests. See also "—General Risks Related to Our Shares, ADSs and Warrants—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law" for risks arising from investing in us as a Cayman Islands company.

Our Chinese mainland subsidiaries are subject to restrictions on paying dividends or making other payments.

We may rely on dividends paid by our Chinese mainland subsidiaries to fund our operations, such as paying dividends to our shareholders or meeting obligations under any indebtedness we or our overseas subsidiaries incurred. Current regulations of the Chinese mainland restrict our Chinese mainland subsidiaries from paying dividends in the following two principal aspects: (i) our Chinese mainland subsidiaries are only permitted to pay dividends out of their respective after-tax profits, if any, determined in accordance with PRC accounting standards and regulations, and (ii) these entities are required to allocate at least 10% of their respective after-tax profits each year, if any, to fund statutory reserve funds until the cumulative total of the allocated reserves reaches 50% of registered capital, and a portion of their respective after-tax profits to their staff welfare and bonus reserve funds as determined by their respective boards of directors or shareholders. These reserves are not distributable as dividends. See "Item 4. Information on the Company—B. Business Overview—Government Regulations." Further, if these entities incur debt on their behalf in the future, the instruments governing such debt may restrict their ability to pay dividends or make other payments. Our inability to receive dividends or other payments from our Chinese mainland subsidiaries may adversely affect our ability to continue to grow our business and make cash or other distributions to the holders of our ordinary shares and ADSs. In addition, failure to comply with SAFE regulations may restrict the ability of our subsidiaries to make dividend payments to us. See "—Risks Related to Doing Business in China—Regulations of the Chinese mainland relating to the establishment of offshore special purpose companies by residents of the Chinese mainland may subject our resident shareholders of the Chinese mainland or us to penalties and fines, and limit our ability to inject capital into our Chinese mainland subsidiaries, limit our subsidiaries' ability to increase their registered capital, distribute profits to us, or otherwise adversely affect us."

The income tax laws of the Chinese mainland may increase our tax burden or the tax burden on the holders of our shares or ADSs, and tax benefits available to us may be reduced or repealed, causing the value of your investment in us to decrease.

Our subsidiaries and the variable interest entity in the Chinese mainland are subject to enterprise income tax, on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the PRC Enterprise Income Tax Law, which was approved by the National People's Congress on March 16, 2007. The PRC Enterprise Income Tax Law went into effect as of January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, which unified the tax rate generally applicable to both domestic and foreign-invested enterprises in the Chinese mainland. Our subsidiaries and the variable interest entity in the Chinese mainland are generally subject to enterprise income tax at a statutory rate of 25%. Shanghai IT, the variable interest entity which holds a High and New Technology Enterprise, or **HNTE**, qualification is entitled to enjoy a 15% preferential enterprise income tax rate till November 23, 2020. As the HNTE qualification has expired in 2020, Shanghai IT was no longer entitled to enjoy a preferential enterprise income tax rate.

Moreover, unlike the tax regulations effective before 2008, which specifically exempted withholding taxes on dividends payable to non-Chinese mainland investors from foreign-invested enterprises in the Chinese mainland, the PRC Enterprise Income Tax Law and its implementation rules provide that a withholding income tax rate of 10% will be applicable to dividends payable by Chinese companies to non-Chinese mainland-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and the governments of other countries or regions. While the Tax Agreement between the Chinese mainland and Hong Kong provides dividends paid by a foreign-invested enterprise in the Chinese mainland to its corporate shareholder, which is considered a Hong Kong tax resident, will be subject to withholding tax at the rate of 5% of total dividends, this is limited to instances where the corporate shareholder directly holds at least 25% of our shares that is to pay dividends for at least twelve consecutive months immediately prior to receiving the dividends and meets certain other criteria prescribed by the regulations. Under the Administrative Measures for Non-Resident Taxpayer to Enjoy Treatments under Tax Treaties, which became effective in January 2020, non-resident taxpayers shall determine whether they are eligible for treaty benefits and file a report and materials with the tax authorities. Meanwhile, the reduced withholding tax rate also applies if the conditions stipulated by other tax rules and regulations are met.

In February 2018, the State Administration of Taxation, or SAT issued the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties on issues relating to "beneficial owner" in tax treaties, or Circular No. 9, which took effect on April 1, 2018. Circular No. 9 provides detailed guidance to determine whether the applicant engages in substantive business activities to constitute a "beneficial owner". When determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in the past twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the other country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes at all or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. If the non-resident taxpayer does not apply to the withholding agent for the tax treaty benefits, or such taxpayer does not satisfy the criteria to be entitled to tax treaty benefits, the withholding agent should withhold tax pursuant to the provisions of tax laws of the Chinese mainland. We cannot assure you that any dividends to be distributed from our subsidiaries to us or from us to our non-Chinese mainland shareholders and ADS holders, whose jurisdiction of incorporation has a tax treaty with the Chinese mainland providing a different withholding arrangement, will be entitled to the benefits under the withholding arrangement.

In addition, the PRC Enterprise Income Tax Law deems an enterprise established offshore but having its management organ in the Chinese mainland as a "resident enterprise" that will be subject to the Chinese mainland tax at the rate of 25% of its global income. Under the Implementation Rules of the PRC Enterprise Income Tax Law, the term "management organ" is defined as "an organ which has substantial and overall management and control over the manufacturing and business operation, personnel, accounting, properties and other factors." On April 22, 2009, the SAT further issued a notice regarding recognizing an offshore-established enterprise controlled by shareholders in the Chinese mainland as a resident enterprise according to its management organ, or **Circular 82**. According to Circular 82, a foreign enterprise controlled by a Chinese mainland company or a Chinese mainland company group shall be deemed a resident enterprise of the Chinese mainland, if (i) the senior management and the core management departments in charge of its daily operations are mainly located and function in the Chinese mainland; (ii) its financial decisions and human resource decisions are subject to the determination or approval of persons or institutions located in the Chinese mainland; (iii) its major assets, accounting books, company seals, minutes and files of board meetings and shareholders' meetings are located or kept in the Chinese mainland; and (iv) more than half of the directors or senior management with voting rights reside in the Chinese mainland. On July 27, 2011, SAT issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, which was amended in April 2015, June 2016 and June 2018. SAT Bulletin 45 further clarified the detailed procedures for determining resident status under Circular 82, competent tax authorities in charge and post-determination administration of such resident enterprises. Although our offshore companies are not controlled by any Chinese mainland company or Chinese mainland company group, we cannot assure you that we will not be deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law and thus be subject to PRC enterprise income tax on our global income.

According to the PRC Enterprise Income Tax Law and its implementation rules, dividends are exempted from income tax if such dividends are received by a resident enterprise on equity interests it directly owns in another resident enterprise. However, foreign corporate holders of our shares or ADSs may be subject to taxation at a rate of 10% on any dividends received from us or any gains realized from the transfer of our shares or ADSs if we are deemed to be a resident enterprise or if such income is otherwise regarded as income from "**sources within the Chinese mainland**." The PRC Enterprise Income Tax Law empowers the PRC State Council to enact appropriate implementing rules and measures and there is no guarantee that we or our subsidiaries will be entitled to any of the preferential tax treatments. Nor can we assure you that the tax authorities will not, in the future, discontinue any of our preferential tax treatments, potentially with retroactive effect. Any significant increase in the enterprise income tax rate under the PRC Enterprise Income Tax Law applicable to our Chinese mainland subsidiaries and the variable interest entity, or the imposition of withholding taxes on dividends payable by our subsidiaries to us, or an enterprise income tax levy on us or any of our subsidiaries or variable interest entity registered outside of the Chinese mainland, or dividends or capital gains received by our shareholders due to shares or ADSs held in us will have a material adverse impact on our results of operations and financial conditions and the value of investments in us.

We are required to pay value added tax as a result of tax reforms in various regions in the Chinese mainland and we may be subject to similar tax treatments elsewhere in the Chinese mainland.

On March 23, 2016, the Ministry of Finance and the SAT jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of Value Added Tax Instead of Business Tax, or Circular 36, which took effect on May 1, 2016. Pursuant to Circular 36, all companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay value added tax, or **VAT**, in lieu of business tax. As a result of Circular 36, the services provided by general VAT payers will be subject to VAT at the rate of 6%, and the services provided by small-scale VAT payers will be subject to VAT at the rate of 3%. While as general VAT payers may reduce their VAT payable amount by the VAT which they paid in connection with their purchasing activities, or the **Input VAT**, those companies as small-scale VAT payers may not reduce their VAT payable amount by their Input VAT. As a result, some of our subsidiaries and the variable interest entity may be subject to more unfavorable tax treatment as a result of the tax reform, and our business, financial condition and results of operations could be materially and adversely affected.

Strengthened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our acquisition strategy.

In connection with the PRC Enterprise Income Tax Law, the SAT issued, on February 3, 2015, the Notice on Several Issues regarding Enterprise Income Tax for Indirect Property Transfer by Non-resident Enterprises, or SAT Circular 7, which further specifies the criteria for judging reasonable commercial purpose, and the legal requirements for the voluntary reporting procedures and filing materials in the case of indirect property transfer. SAT Circular 7 has listed several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. However, despite these factors, an indirect transfer satisfying all the following criteria shall be deemed to lack reasonable commercial purpose and be taxable under the laws of the Chinese mainland: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the taxable properties in the Chinese mainland; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the Chinese mainland, or 90% or more of its income is derived directly or indirectly from the Chinese mainland; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the taxable properties in the Chinese mainland are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gains derived from the indirect transfer of the taxable properties in the Chinese mainland is lower than the potential Chinese mainland tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the scope of the safe harbor under SAT Circular 7 may not be subject to the Chinese mainland tax and such safe harbor includes qualified group restructuring, public market trading and tax treaty exemptions. According to SAT Circular 7, where the payer fails to withhold tax in a sufficient amount, the transferor can declare and pay such tax to the tax authority by itself within the statutory time period. Late payment of applicable tax will subject the transferor to default interest.

On October 17, 2017, the SAT released the Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Public Notice 37, which further elaborates the implementation rules regarding the calculation, reporting and payment obligations of the withholding tax by the non-resident enterprises.

Under SAT Circular 7 and SAT Public Notice 37, the entities or individuals obligated to pay the transfer price to the transferor shall be the withholding agent and shall withhold the Chinese mainland tax from the transfer price. If the withholding agent fails to do so, the transferor shall report to and pay the Chinese mainland tax to the PRC tax authorities. In case neither the withholding agent nor the transferor complies with the obligations under SAT Circular 7 and SAT Public Notice 37, other than imposing penalties such as late payment interest on the transferors, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent, provided that such penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7 and SAT Public Notice 37.

Since we may pursue acquisition as one of our growth strategies, and have conducted and may conduct acquisitions involving complex corporate structures, the PRC tax authorities may, at their discretion, adjust the capital gains and impose tax return filing obligations on us or request us to submit additional documentation for their review in connection with any of our acquisitions, thus causing us to incur additional acquisition costs.

The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under laws of the Chinese mainland, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the **M&A Rules**, adopted by six PRC regulatory agencies in 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of domestic companies in the Chinese mainland and controlled by persons or entities in the Chinese mainland to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

On July 6, 2021, the PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by PRC-based companies and proposed to take effective measures, such as promoting the construction of regulatory systems to deal with the risks and incidents faced by PRC-based overseas-listed companies.

On February 17, 2023, the CSRC issued the Trial Measures, which came into effect on March 31, 2023. According to the Trial Measures, the overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the determination of an indirect offering and listing will be conducted on a "substance over form" basis, and 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) the main part of the business activities is carried out in the territory of the Chinese mainland or the main place of business is in the Chinese mainland, and the senior management personnel responsible for business operations and management are mostly citizens of the Chinese mainland or are ordinarily resident in the Chinese mainland.

According to the Trial Measures, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC: (i) with respect to its initial public offering and listing overseas, it shall file with the CSRC within three business days after submitting the application documents for offering and listing overseas. (ii) with respect to its follow-on offering in the same overseas market, it shall file with the CSRC within three business days after completion of the follow-on offering. (iii) If an issuer, after completion of the offering and listing overseas, make offering and listing in other overseas markets, it shall put on record in accordance with the provisions of the Article(i). According to the Trial Measures, domestic enterprises which have already listed overseas is not required to make such filing immediately. However, we cannot assure you that any new rules or regulations promulgated by CSRC in the future will not require us to obtain any approval or filing.

Non-compliance with the Trial Measures or an overseas listing completed in breach of the Trial Measures may result in a warning on the domestic companies or a fine of RMB1 million to RMB10 million on them. The controlling shareholder or actual controller of the domestic enterprise organizes or instructs the illegal acts, then a fine between RMB1 million to RMB10 million shall be imposed on them, and for other directly responsible personnel in charge shall be punished by a fine of RMB500,000 to RMB5,000,000. Furthermore, If the circumstances are serious, the CSRC may impose a securities market ban on the responsible personnel from entering the securities market, and if they constitute a crime, criminal liability shall be investigated in accordance with the law.

According to the Trial Measures, an overseas offering and listing is prohibited under any of the following circumstances: (i) if the intended securities offering and listing is specifically prohibited by national laws and regulations and provisions; (ii) if the intended securities offering and listing may constitute a threat to or endangers national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy; (v) if, the domestic enterprises are currently under investigation for suspicion of criminal offenses, or are under investigation for suspicion of major violations of laws and regulations, although no clear conclusions have been reached; (vi) if there are material ownership disputes over the equities held by the controlling shareholder or the shareholder under the control of the controlling shareholder or the de facto controller.

Relatedly, on September 6, 2024, the National Development and Reform Commission and the Ministry of Finance, jointly issued the 2024 Negative List, which came into effect on November 1, 2024. Pursuant to such Special Administrative Measures, if a domestic company engaging in the prohibited business stipulated in the 2024 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, our foreign investors shall not be involved in our operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the regulations on the domestic securities investments by foreign investors. Since the 2024 Negative List do not specify whether indirect overseas listings are subject to their restrictions, it is unclear as to whether and to what extent listed companies like us will be subject to these requirements. If we are required to comply with these requirements and fail to do so on a timely basis, if at all, our business operation, financial conditions and business prospect may be adversely and materially affected.

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

General Risks Related to Our Shares, ADSs and Warrants

Our ADSs may be delisted from the Nasdaq Capital Market as a result of our failure of meeting the Nasdaq Capital Market continued listing requirements.

Our ADSs are currently listed on the Nasdaq Capital Market under the symbol "NCTY." We must continue to meet the requirements set forth in Nasdaq Listing Rule 5550 to remain listing on the Nasdaq Capital Market. The listing standards of the Nasdaq Capital Market provide that a company, in order to qualify for continued listing, must maintain a minimum ADS price of US$1.00 and satisfy standards relative to minimum shareholders' equity, minimum market value of publicly held shares, or **MVPHS**, minimum MVLS, and various additional requirements.

On January 11, 2024, we received a notification letter from the Listing Qualifications Department of Nasdaq, notifying us that we no longer complied with Rule 5550(b) (1) of the Nasdaq Listing Rules due to our failure to maintain a minimum of $2,500,000 in stockholders' equity. The Nasdaq notification letter also noted that we did not meet the alternatives of market value of listed securities or net income from continuing operations. Pursuant to Rule 5810(c) (2) of the Nasdaq Listing Rules, we had 45 calendar days (no later than February 26, 2024) to submit a plan to regain compliance with the foregoing listing requirement. On April 22, 2024, we received a notification letter from Nasdaq stating that we have regained compliance with the minimum bid price requirement and this matter was closed.

There can be no assurance that our ADSs would be eligible for trading on any other exchanges or markets in the United States. If Nasdaq determines to delist our ordinary shares, or if we fail to list our ADSs on other stock exchanges or find alternative trading venue for our ADSs, the market liquidity and the price of our ADSs and our ability to obtain financing for our operations could be materially and adversely affected.

As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than U.S. public companies.

We are a "foreign private issuer" as defined in the SEC rules and regulations and, consequently, we are not subject to all of the disclosure requirements applicable to companies organized within the United States. For example, we are exempt from certain rules under the Exchange Act that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act. In addition, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. Further, we are not required to comply with Regulation FD, which restricts the selective disclosure of material information. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. public companies. Accordingly, there may be less publicly available information concerning our company than there is for U.S. public companies.

As a foreign private issuer, we file annual reports on Form 20-F within four months of the close of each fiscal year ended December 31 and reports on Form 6-K relating to certain material events promptly after we publicly announce these events. However, because of the above exemptions for foreign private issuers, our shareholders are not afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

While we are a foreign private issuer, we are not subject to certain Nasdaq corporate governance listing standards applicable to U.S. listed companies. We are entitled to rely on a provision in the Nasdaq corporate governance listing standards that allows us to elect to follow Cayman Islands "home county" corporate law with regard to certain aspects of corporate governance. This allows us to follow certain corporate governance practices that differ in significant respects from the corporate governance requirements applicable to U.S. companies listed on the Nasdaq. For example, in each of November 2015 and August 2016, our board of directors approved an increase in the total number of ordinary shares reserved for issuance under our then effective stock option plan, for which we have followed "home country practice" in lieu of obtaining a shareholder approval pursuant to Nasdaq Market Rule 5635(c). In June 2020, we also followed "home country practice" in lieu of obtaining a shareholder approval pursuant to Nasdaq Market Rule 5635(a) with respect to issuance of securities in excess of 20% of our total issued and outstanding shares prior to such issuance. We also followed "home country practice" in lieu of the requirement under Nasdaq rule 5635(d) to seek shareholder approval in connection with certain transactions involving the sale, our issuance or potential issuance of common stock (or securities convertible into or exercisable for common stock) at a price less than certain references price equals 20% or more of common stock or 20% or more of the voting power outstanding before the issuance. We may also rely on other exemptions available to foreign private issuers in the future, and to the extent that we choose to do so in the future, our shareholders may be afforded less protection than they otherwise would under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers.

It is likely that we were classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for the taxable year ended December 31, 2024, and it is possible that we may be a PFIC for the current taxable year and for future taxable years, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our ADSs or ordinary shares.

A non - U.S. corporation will be a "passive foreign investment company," or PFIC, for any taxable year if either (1) at least 75% of its gross income for such year consists of certain types of passive income, or (2) at least 50% of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. We must make a separate determination after the close of each taxable year as to whether we were a PFIC for that year.

Based on the market price of our ADSs and the nature and composition of our assets, although not free from doubt, we believe that we were likely a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2024. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs or ordinary shares, our PFIC status will depend in part on the market price of the ADSs or ordinary shares, which may fluctuate significantly, and the composition of our assets and liabilities. In light of recent declines in the market price of our ADSs, our risk of becoming a PFIC has increased. The market price of our ADSs may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year. Further, as previously disclosed, although not free from doubt, we believe that we were a PFIC for U.S. federal income tax purposes for prior years. In addition, it is possible that one or more of our subsidiaries were also PFICs for such years for U.S. federal income tax purposes.

If we are a PFIC for any taxable year during which a U.S. Holder (as defined in "Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations") holds our ADSs or ordinary shares, the U.S. Holder may be subject to certain adverse U.S. federal income tax consequences. Additionally, if we are a PFIC for any taxable year during which U.S. Holders hold our ADSs or ordinary shares, we would generally continue to be treated as a PFIC with respect to such U.S. Holders even if we do not satisfy either of the above tests to be classified as a PFIC in any subsequent year. See "Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

You should consult your tax advisors regarding the impact of our being a PFIC in any taxable year on your investment in our ADSs and ordinary shares as well as the application of the PFIC rules.

Substantial future sales or the perception of sales of our ADSs or ordinary shares could adversely affect the price of our ADSs.

If our shareholders sell or are perceived by the market to sell substantial amounts of our ADSs, including those issued upon the exercise of outstanding options, in the public market, the market price of our ADSs could fall. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. If any existing shareholder or shareholders sell or are perceived by the market to sell a substantial amount of Class A ordinary shares, the prevailing market price for our ADSs could be adversely affected.

We may issue additional ordinary shares or ADSs for future acquisitions. If we pay for our future acquisitions in whole or in part with additionally issued ordinary shares or ADSs, your ownership interest in our company would be diluted and this, in turn, could have a material adverse effect on the price of our ADSs.

The market price for our ADSs may be volatile.

We have been experiencing extreme price volatility. During the year 2024, the closing trade price of our ADSs ranged from US$4.03 to US$19.00 per ADS. Such extreme price volatility was probably attributable to our cryptocurrency mining business and the macro environment for the overall cryptocurrency industry. Due to such extreme price volatility, the risks exposure to and the possibilities of short squeeze also increased.

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

- actual or anticipated fluctuations in our operating results;
- the market price of cryptocurrency;
- the development of our cryptocurrency mining business;
- changes in financial estimates by securities analysts;
- price fluctuations of publicly traded securities of other PRC-based companies engaging in internet-related services or other similar businesses;
- changes in the economic performance or market valuations of other internet companies;
- announcements from us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- fluctuations in the exchange rates between the U.S. dollar and the RMB;
- addition or departure of key personnel; and
- pending and potential litigation.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our ADSs.

The warrants are speculative in nature.

The Warrants we offered do not confer any rights of ordinary share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire our Class A ordinary shares at a fixed price.

On January 25, 2021, we entered into a purchase agreement with the holding entities of several investors in the cryptocurrencies mining industry, including Jianping Kong, the former Director and Co-Chairman of Canaan Inc. (Nasdaq: CAN), a Bitcoin mining machine manufacturer listed on Nasdaq, Qifeng Sun, Li Zhang and Enguang Li. Pursuant to the purchase agreement, we issued 8,108,100 Class A ordinary shares in aggregate at US$0.1233 per Class A ordinary share and 207,891,840 warrants in aggregate, each warrant representing the right to purchase one Class A ordinary share, to the investors in February 2021. The warrants were divided into four equal tranches. The exercise price of each of the warrants in the first three tranches was US$0.1233 per Class A ordinary share while the exercise price of each of the warrants in the fourth tranche was US$0.2667 per Class A ordinary share. The warrants were only exercisable upon the satisfaction of certain conditions in connection with our market capitalization. In addition, the third tranche would be automatically forfeited with nil consideration if the second tranche fails to become exercisable within certain specified timeframe and the fourth tranche would be automatically forfeited with nil consideration if the second and third tranches fail to become exercisable within certain specified timeframe. We had the option to request the investors to make payment of the purchase price and the exercise price for the warrants in cash, cryptocurrencies or a combination of both. The investors were entitled to collectively appoint one director to our board of directors. The appointment right would automatically terminate on the later of (i) the third anniversary of the closing date, i.e., January 25, 2024, and (ii) the date on which the investors collectively hold less than 5% of our total number of ordinary shares on a fully diluted basis. The transaction was closed in February 2021 and we issued 8,108,100 Class A ordinary shares for total purchase price of US$1.0 million fully in cash. As of the date of this annual report, none of the warrants was exercised. On July 15, 2022, we entered into a cancellation agreement with JPKONG LTD. and Qifeng Sun Ltd., entities controlled by Mr. Jianping Kong and Mr. Qifeng Sun, respectively, to cancel the fourth tranche, which represented warrants issued to JPKONG LTD. to purchase 23,099,093 Class A ordinary shares at the exercise price of US$0.2667 per Class A ordinary share and warrants issued to Qifeng Sun Ltd. to purchase 11,549,547 Class A ordinary shares at the exercise price of US$0.2667 per Class A ordinary share. The cancellation would not affect the terms or conditions of the other three tranches. As of the date of this annual report, the remaining warrants had expired.

On March 31, 2021, we entered into an underwriting agreement with Maxim Group LLC, as the representative of several underwriters. In April 2021, we completed an offering of 3,765,100 ADSs, each representing thirty Class A ordinary shares, and warrants to purchase 2,823,825 ADSs, at a public offering price of US$33.20 per ADS and accompanying 0.75 of a warrant. The warrants offered in this offering has a term of three years and are exercisable by the holder at US$36.00 per ADS at any time after the date of issuance. The underwriter exercised its over-allotment option that we granted to it and we further issued and sold 564,760 ADSs, each representing thirty Class A ordinary shares, and warrants to purchase 423,574 ADSs to cover over-allotments. The aggregate net proceeds from this offering was approximately US$135.1 million, after deducting underwriting discounts and commissions and offering expenses. As of the date of this annual report, the remaining warrants had expired.

In November 2023, we closed a private placement securities purchase transaction with Bripheno Pte. Ltd., a Singapore limited liability company, pursuant to which we sold and issued (i) 150,000,000 Class A ordinary shares (equivalent to 500,000 ADSs) at a price of US$12 per ADS, (ii) two-year 3% per annum convertible promissory note at the purchase price of US$6 million with the conversion price of US$15 per ADS, and (iii) warrants to purchase an aggregate of 120,000,000 Class A ordinary shares (equivalent to 400,000 ADSs) at an exercise price of US$60 per ADS. The warrants would expire in three years from the date of issuance and may be extended by mutual agreement for additional one year. These securities were subject to a six-month lock up period. We raised a total of US$12 million as the aggregate consideration for the securities.

In March 2025, we signed a share purchase agreement with Elune Capital Limited, or Elune Capital, a company registered under the laws of British Virgin Islands, pursuant to which we sold and issued to Elune Capital (i) 47,169,600 Class A ordinary shares (equivalent to 157,232 ADSs) for a total consideration price of US$2 million, at the price of US$12.72 per ADS, and (ii) warrants to purchase 141,508,800 Class A ordinary shares (equivalent to 471,696 ADSs) at an exercise price of US$12.72 per ADS. The warrants have an exercise period of two years, and are subject to the following vesting conditions: one-half of the warrants can be exercised after Elune Capital or its business partner signs a strategic cooperation agreement with us, and the other half of the warrants can be exercised after our GameFi platform is launched. We expect that the closing will take place within sixty days after the execution of the share purchase agreement. As of the date of this annual report, this transaction has not been closed.

In March 2025, we signed a share purchase agreement with WEVISION PTE. LTD., or WEVISION, a company registered under the laws of the Republic of Singapore, pursuant to which we sold and issued to WEVISION (i) 23,584,800 Class A ordinary shares (equivalent to 78,616 ADSs) for a total consideration price of US$1 million, at the price of US$12.72 per ADS, and (ii) warrants to purchase 70,754,400 Class A ordinary shares (equivalent to 235,848 ADSs) at an exercise price of US$12.72 per ADS. The warrants have an exercise period of two years and are subject to the following vesting conditions: one-half of the warrants can be exercised after WEVISION or its business partner signs a strategic cooperation agreement with us, and the other half of the warrants can be exercised after our GameFi platform is launched. We expect that the closing will take place within sixty days after the execution of the share purchase agreement. As of the date of this annual report, this transaction has not been closed.

In March 2025, we signed a share purchase agreement with Bripheno Pte. Ltd., Bripheno, pursuant to which we sold and issued to the Bripheno (i) 117,000,000 Class A ordinary shares (equivalent to 390,000 ADSs) for a total consideration price of US$4,960,800, at the price of US$12.72 per ADS, and (ii) warrants to purchase 90,000,000 Class A Shares (equivalent to 300,000 ADSs) at an exercise price of US$60 per ADS. The warrants have an exercise period of two years. As of the date of this annual report, this transaction has been closed.

There is no public market for the warrants we offered and we do not expect one to develop.

There is presently no established public trading market for the warrants we offered and we do not expect a market to develop. In addition, we do not intend to apply to list the warrants or on any securities exchange or nationally recognized trading system, including the Nasdaq. Without an active market, the liquidity of the warrants will be limited.

Purchasers of our warrants will not have any rights of ordinary shareholders until such warrants are exercised.

The warrants we offered do not confer any rights of ordinary share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire ordinary shares at a fixed price.

Our dual-class share structure with different voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

We have a dual-class share structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and our Class B ordinary shares shall at all times vote together as one class on all resolutions submitted to a vote by our shareholders. Each Class A ordinary share shall entitle the holder thereof to one vote on all matters subject to vote at our general meetings, and each Class B ordinary share shall entitle the holder thereof to a hundred votes on all matters subject to vote at our general meetings. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of any Class B ordinary share by the holder of such Class B ordinary share to any person who is not an affiliate of such shareholder, such Class B ordinary share shall be automatically and immediately converted into one Class A ordinary share.

Mr. Jun Zhu, our chairman and chief executive officer, beneficially owns all of our outstanding Class B ordinary shares. As of March 28, 2025, Mr. Jun Zhu beneficially owned approximately 74.58% of the aggregate voting power of our company. As a result of the dual-class share structure and the concentration of ownership, holders of our Class B ordinary shares have considerable influence over matters such as decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. They may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial. In addition, we may incur incremental compensation expenses to the holders of Class B ordinary shares as a result of their becoming entitled to high votes on each Class B ordinary share.

Our shareholders may not have the same protections generally available to stockholders of other Nasdaq-listed companies because we are currently a "controlled company" within the meaning of the Nasdaq Listing Rules.

Because Mr. Jun Zhu holds a majority of the total outstanding voting power in our company for the election of our board of directors, we are a "controlled company" within the meaning of Nasdaq Listing Rule 5615(c). As a controlled company, we qualify for, and our board of directors, the composition of which is controlled by Mr. Jun Zhu, may rely upon, exemptions from several of Nasdaq's corporate governance requirements, including requirements that:

- a majority of the board of directors consist of independent directors;
- compensation of officers be determined or recommended to the board of directors by a majority of its independent directors or by a compensation committee comprised solely of independent directors; and

- director nominees be selected or recommended to the board of directors by a majority of its independent directors or by a nominating committee that is composed entirely of independent directors.

Accordingly, to the extent that we may choose to rely on one or more of these exemptions, our shareholders would not be afforded the same protections generally as shareholders of other Nasdaq-listed companies for so long as Mr. Zhu is able to control the composition of our board and our board determines to rely upon one or more of such exemptions.

The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.

We are incorporated under the laws of the Cayman Islands. The rights of holders of our Class A ordinary shares and, therefore, certain of the rights of holders of our ADSs, are governed by Cayman Islands law, including the provisions of the Companies Act (As Revised) of the Cayman Islands, or the **Companies Act**, and by our Fourth Amended and Restated Memorandum and Articles of Association. These rights differ in certain respects from the rights of shareholders in typical U.S. corporations. See "Item 10. Additional Information—B. Memorandum and Articles of Association—Differences in Corporate Law" for a description of certain key differences between the provisions of the Companies Act applicable to us and, for example, the Delaware General Corporation Law relating to shareholders' rights and protections.

Our Fourth Amended and Restated Memorandum and Articles of Association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our Class A ordinary shares and ADSs.

Our Fourth Amended and Restated Memorandum and Articles of Association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our dual-class voting structure gives disproportionate voting power to the holders of our Class B ordinary shares. In addition, our board of directors will have the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares, including Class A ordinary shares represented by ADS. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and ADSs may be materially and adversely affected.

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

Our corporate affairs are governed by our Fourth Amended and Restated Memorandum and Articles of Association and by the Companies Act and common law of the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States, and provides significantly less protection to investors. Therefore, our public shareholders may have more difficulties protecting their interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States. In addition, with respect to Cayman Islands companies, plaintiffs may face special obstacles, including, but not limited to, those relating to jurisdiction and standing, in attempting to assert derivative claims in state or federal courts of the United States. As a result, our shareholders may not be able to protect their interests if they are harmed in a manner that would otherwise enable them to sue in a United States federal court.

Our currently effective memorandum and articles of association provide that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) is the exclusive judicial forum within the U.S. for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, which could limit the ability of holders of our Class A ordinary shares, the ADSs or other securities to obtain a favorable judicial forum for disputes with us, our directors and officers, the depositary, and potentially others.

Our Fourth Amended and Restated Memorandum and Articles of Association provide that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) is the exclusive forum within the United States for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, regardless of whether such legal suit, action, or proceeding also involves parties other than our company. The enforceability of similar federal court choice of forum provisions in other companies' organizational documents has been challenged in legal proceedings in the United States, and it is possible that a court could find this type of provision to be inapplicable or unenforceable. If a court were to find the federal choice of forum provision contained in our Fourth Amended and Restated Memorandum and Articles of Association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. If upheld, the forum selection clause in our Fourth Amended and Restated Memorandum and Articles of Association may limit a security-holder's ability to bring a claim against us, our directors and officers, the depositary, and potentially others in his or her preferred judicial forum, and this limitation may discourage such lawsuits. Holders of our shares or the ADSs will not be deemed to have waived our compliance with the federal securities laws and the regulations promulgated thereunder pursuant to the exclusive forum provision in our Fourth Amended and Restated Memorandum and Articles of Association.

Your ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, will be limited because we are incorporated in the Cayman Islands, because we conduct a substantial portion of our operations in China and because the majority of our directors and officers reside outside of the United States.

We are an exempted company incorporated in the Cayman Islands, substantially all of our assets are located in the U.S. For assets located in China, we conduct a substantial portion of our operations through our wholly owned subsidiaries and variable interest entity in China. Most of our directors and officers reside outside of the United States and most of the assets of those persons are located outside of the United States. As of the date of this annual report, most of our directors and officers are located in China and none of them are located in the U.S. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

You may not be able to exercise your right to vote.

As a holder of ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You may give voting instructions to the depositary of our ADSs to vote the underlying Class A ordinary shares represented by your ADSs. Otherwise, you will not be able to exercise your right to vote with respect to the underlying Class A ordinary shares represented by your ADSs unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. However, you may not receive sufficient advance notice of a shareholders' meeting to enable you to withdraw the underlying Class A ordinary shares represented by your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. Pursuant to our Fourth Amended and Restated Memorandum and Articles of Association, we may convene a shareholders' meeting on seven business days' notice. If we ask for your instructions, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying Class A ordinary shares represented by your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out your voting instructions or for the manner of carrying out your voting instructions, if any such action or non-action is in good faith. This means that you may not be able to exercise your right to direct how the underlying Class A ordinary shares represented by your ADSs are voted and you may have no legal remedy if the underlying Class A ordinary shares represented by your ADSs are not voted as you requested.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our ADSs depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts or the content that they publish about us. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our ADSs or change their opinion of our ADSs, our ADS price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our ADS price or trading volume to decline.

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

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

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

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act of 1933, as amended, or the **Securities Act**, or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary will not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act, or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. The depositary may, but is not required to, sell such undistributed rights to third parties in this situation. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

You may not receive distributions on ordinary shares or any value for them if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. We have no obligation to register ADSs, ordinary shares, rights or other securities under U.S. securities laws. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive the distribution we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before investing in the ADSs.

If you or any other ADS holders bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and / or the depositary. If a lawsuit is brought against us and/or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiffs in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial.

No provision of the deposit agreement or ADSs serves as a waiver of any ADS holder or us or the depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were incorporated in the Cayman Islands on December 22, 1999 under the name GameNow.net Limited as an exempted company limited by shares and were renamed The9 Limited in February 2004. We formed GameNow.net (Hong Kong) Limited, or **GameNow**, on January 17, 2000 in Hong Kong, as a wholly owned subsidiary. We now conduct our operations through NBTC Limited, a wholly- owned subsidiary in Hong Kong, and Shanghai Hui Ling, a wholly owned subsidiary of GameNow in China. Due to the current restrictions on foreign ownership of ICP and internet culture operation in China, currently, we rely on Shanghai IT, the variable interest entity, and our newly established joint venture company, Shaoxing Jiuyu, in holding certain licenses and approvals necessary for our business online game operations through a series of contractual arrangements with Shanghai IT and its shareholders. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Arrangements with Variable Interest Entity" for details of the contractual arrangements with Shanghai IT and its shareholders. We do not hold any equity interest in Shanghai IT. We used to conduct our NFT business through NFTSTAR, a wholly-owned subsidiary in Hong Kong. In 2023, we sold NFTSTAR Singapore Pte. Ltd. and its subsidiaries to an unrelated third party. We no longer operate NFT business.

Our ADSs, each currently representing 300 Class A ordinary shares, are listed on the Nasdaq Capital Market. Our ADSs are traded under the symbol "NCTY."

Our principal executive office is located at 17 Floor, No. 130 Wu Song Road, Shanghai 200080, People's Republic of China. Our registered office in the Cayman Islands is located at the offices of CARD Corporate Services Ltd, c/o Collas Crill Corporate Services Limited, Floor 2, Willow House, Cricket Square, PO Box 709, Grand Cayman KY1-1107 Cayman Islands. Our website is https://www.the9.com. The information on our websites should not be deemed to be part of this annual report. The SEC also maintains a website at https://www.sec.gov that contains reports, proxy, and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

Below please find our key business developments and important events, especially those happened in the last three financial years.

Development of Businesses and Strategic Alliances

We have historically conducted our operations in large part through The9 Computer Technology Consulting (Shanghai) Co., Ltd., or **The9 Computer**, previously a direct wholly owned subsidiary of GameNow in China. In September 2019, we sold 100% equity interest in several then subsidiaries of our company in China, namely China The9 Interactive (Shanghai) Ltd., The9 Computer and Shanghai Kaie Information Technology Co., Ltd. to Kapler Pte. Ltd., an indirect subsidiary of Keppel Corporation Limited, in exchange for consideration of RMB493.0 million. Other assets and liabilities previously held by the subsidiaries sold were transferred to Shanghai Hui Ling. We terminated the contractual arrangements between The9 Computer and Shanghai IT, and Shanghai Hui Ling entered into new contractual arrangements with Shanghai IT, replacing The9 Computer. This transaction was completed in February 2020.

Since February 2021, we started our cryptocurrency mining business in China. From time to time, we have selectively invested in cryptocurrency mining businesses, and will continue to do so in the future to expand and develop our business. See "Item 4. Information on the Company—B. Business Overview—Cryptocurrency Mining" for material strategic investments in cryptocurrency mining businesses over the past years.

In August 2021, we formally stepped into the NFT business. NFTSTAR Singapore Pte. Ltd., our former Singapore wholly owned subsidiary, launched a NFT trading and community platform NFTSTAR. NFTSTAR was a NFT community platform that provides users with interactive activities. NFTSTAR created NFT collections featuring global stars licensed IPs. Users can purchase and own stars' limited NFT collections through third-party NFT sales platforms, such as OpenSea. Each NFT collectible has a unique record on the blockchain, and the users will obtain the ownership of the unique NFT collectible through purchase on designated third-party marketplaces, such as OpenSea. In 2023, we sold NFTSTAR Singapore Pte.Ltd. and its subsidiaries to an unrelated third party. We no longer operate NFT business.

In July 2022, we made a US$3 million strategic investment in the initial public offering of Nano Labs Ltd (NASDAQ: NA), a company controlled by Mr. Jianping Kong and Mr. Qifeng Sun. We subscribed for, and has been allocated an aggregate of 260,642 ADSs of Nano Labs Ltd.

In 2024, we have made series of investments into China based companies developing AI generative content, such as (i) Wuhan Weixiang Science and Technology Co., Ltd. ("WeiXiang"), an AI-powered educational technology company in China, we purchased 19% of WeiXiang shares on the fully-diluted basis by cash and issuance of our restricted shares. We have also been granted a purchase option to purchase up to 51% of the total shares of WeiXiang based on a valuation calculated as 7 times of Weixiang's audited annual profit after tax, provided that such valuation should be no less than US$45 million; (ii) Shenma Limited ("Shenma"), a company that developed and operates Shenma.io, a leading digital human SaaS platform driven by artificial intelligence-generated content (AIGC). We purchased 19% shares of Shenma in exchange for cash payment and issuance of our restricted shares; (iii) Kuaijin Shidai (Xiamen) Technology Co., Ltd. ("KuaiJin"), a company operating unmanned retail store platform in China. We purchased 15% of KuaiJin shares on the fully-diluted basis by cash and issuance of our restricted shares; and (iv) Beijing Weimingnaonao Science And Technology Co., Ltd. ("WM Therapeutic"), a company engaged in the development of digital treatment of cognitive diseases and digital drug research and development business. We purchased an additional 21.7% shares of WM Therapeutic by cash and issuance of our restricted shares. We had purchased 8.3% shares of WM Therapeutics in 2021. With the signing of this Agreement, we will own 30% of WM Therapeutic. We are also granted a purchase option to purchase up to 51% of the total shares of WM Therapeutic under certain conditions. None of the companies are developing any AI models themselves and are engaged in the "covered activities" under the meaning of the final rule issued by the U.S. Department of the Treasury imposing restrictions on U.S. outbound investment in Chinese companies active in developing certain national security technologies. We do not plan to further invest in AI related businesses.

In 2024, through our variable interest entity, Shanghai IT, we have also entered into joint venture agreements with various Chinese online game operations and marketing companies that have significant amounts of existing player/user bases and have advanced marketing capabilities to attract more users to play our licensed MIR M game in China. Specifically, Shanghai IT entered into four joint venture agreements with each Zhejiang Huanyu Network Science and Technology Co., Ltd, ShaoXing Tongze Network Science and Technology Co., Ltd., Shenzhen gNetop Interactive Iechnology Co., Ltd., and Cheng Du Qing Cheng Network Science and Technology Co., Ltd., under which it agreed to mutually operate various online game-related businesses with each respective joint venture partner. All joint venture partners shall contribute their players/user base to the respective joint venture companies. Shanghai IT has also sublicensed MIR M game for publishing and operations to Shaoxing Jiuyu Network Technology Co., Ltd. and sublicensed certain MIR M game-related rights to the other joint venture companies primarily responsible for marketing and other auxiliary businesses. Each joint venture has its own operational and profit targets up to three years.

We made a few strategic alliances with multiple business partners. See "Item 4. Information on the Company—B. Business Overview—Strategic Alliances" for detailed information.

Dual Class Structure

On May 6, 2019, we held an extraordinary general meeting at which our shareholders approved, among other things, to adjust our authorized share capital and to adopt a dual-class share structure, consisting of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share then was entitled to one vote per share on all matters subject to vote at general meetings of our company. Each Class B ordinary share then was entitled to fifty (50) votes per share on all matters subject to vote at general meetings of our company. The issued and outstanding ordinary shares then held by Incsight Limited, a British Virgin Islands business company, which is wholly owned by Mr. Jun Zhu, our chairman and chief executive officer, and the issued and outstanding ordinary shares then held by Mr. Jun Zhu himself, were re-designated and re-classified as Class B ordinary shares. All other ordinary shares then issued and outstanding were re-designated and re-classified as Class A ordinary shares. On the same date, we amended and restated our then effective Amended and Restated Memorandum of Association and Articles of Association in their entirety and adopted our Second Amended and Restated Memorandum and Articles of Association which reflect, among other things, the changes to our capital structure. As a result of such changes, Mr. Jun Zhu holds the majority of our outstanding voting power and we became a "controlled company" as defined under Nasdaq Stock Market Rules.

On December 22, 2021, we passed a special resolution to amend and restate our then effective Amended and Restated Memorandum of Association and Articles of Association in their entirety and adopted our Third Amended and Restated Memorandum and Articles of Association. Our shareholders approved, among other things, to adjust voting power of each Class B ordinary share from fifty (50) votes per share to a hundred (100) votes per share on all matters subject to vote at general meetings of our company. The issued and outstanding ordinary shares then held by Incsight Limited, a British Virgin Islands business company, which is wholly owned by Mr. Jun Zhu, our chairman and chief executive officer, and the issued and outstanding ordinary shares then held by Mr. Jun Zhu himself, are Class B ordinary shares. All other ordinary shares currently issued and outstanding are Class A ordinary shares. As a result of such changes, Mr. Jun Zhu holds the majority of our outstanding voting power and we remain to be a "controlled company" as defined under Nasdaq Stock Market Rules. In addition, we have included the Federal Forum Provision, which provides that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) is the exclusive judicial forum within the U.S. for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States. The Federal Forum Provision could limit the ability of holders of our Class A ordinary shares, the ADSs or other securities to obtain a favorable judicial forum for disputes with us, our directors and officers, the depositary, and potentially others.

On December 27, 2024, we passed a special resolution to amend and restate our then effective Amended and Restated Memorandum of Association and Articles of Association in their entirety and adopt our Fourth Amended and Restated Memorandum and Articles of Association. Our shareholders approved, among other things, to increase the authorized share capital of the Company to US$500,000,000 divided into (i) 43,000,000,000 Class A ordinary shares, (ii) 6,000,000,000 Class B ordinary shares and (iii) 1,000,000,000 shares of such class or classes as our board of directors may determine in accordance with the Fourth Amended and Restated Memorandum and Articles of Association, in each case having rights, preferences, privileges and restrictions set forth in the Fourth Amended and Restated Memorandum and Articles of Association, by the creation of an additional 45,000,000,000 shares, consisting of (i) 38,700,000,000 Class A ordinary shares, (ii) 5,400,000,000 Class B ordinary shares, and (iii) 900,000,000 shares of such class or classes as our board of directors may determine in accordance with Fourth Amended and Restated Memorandum and Articles of Association.

Grant of Share Incentive Awards

In February 2021, our board of directors and board committees authorized and approved the issuance of an aggregate number of 33,090,000 Class A ordinary shares of our company to certain directors, executive officers, employees and consultants of our company as share incentive awards for their services to us pursuant to the Option Plan. Among those Class A ordinary shares grants, 32,190,000 shares were restricted Class A ordinary shares, subject to restrictions on transferability to be removed upon the satisfaction of the conditions that half of the restricted shares should vest if our market capitalization reaches US$400 million and the other half should vest if our market capitalization reaches US$500 million. We also granted 900,000 restricted Class A ordinary share units to our directors which are immediately vested and issued the same number of shares.

In September 2021, our board of directors and board committees authorized and approved the issuance of an aggregate number of 44,290,560 Class A ordinary shares of our company to certain directors, executive officers, employees and consultants of our company as share incentive awards for their services to us pursuant to the Option Plan. Among those Class A ordinary shares grants, 44,290,560 shares were restricted Class A ordinary shares, subject to the following vesting condition: restricted shares shall vest within two years, i.e., 1/24th of all restricted share grants shall vest on the last day of each month after the date of the grant. We also granted 4,950,000 restricted Class A ordinary share units to our directors which are immediately vested and issued the same number of shares.

In September 2023, pursuant to the Option Plan, we granted and issued an aggregate number of 214,650,000 Class A ordinary shares in the form of the restricted shares and restricted share units to our directors, officers and employees. The 205,200,000 Class A ordinary shares issued pursuant to the Option Plan as the restricted shares to our executive officers and employees are subject to a three-year vesting schedule and lock-up restrictions, provided that the second-year and the third-year tranches of the restricted shares shall be released from the lock-up restrictions only upon the satisfaction of certain pre-agreed performance targets. The remaining 9,450,000 Class A ordinary shares were issued as restricted share units to our independent directors as part of their compensation for their services as our independent directors for the next three years.

In June 2024, our board of directors and board committees authorized and approved the issuance of 11,250,000 Class A ordinary shares, pursuant to the Option Plan, to the company's consultants who provided advisory services in connection with entering into relevant share purchase agreements with the investee companies engaged in AIGC business.

In October 2024, our board of directors and board committees authorized and approved the issuance of 63,947,400 Class A ordinary shares, pursuant to the Option Plan, to the company's consultant who provided advisory services in connection with entering into the Publishing Agreement with Wemade Co., Ltd.

From December 2024 to February 2025, our board of directors and board committees authorized and approved the issuance of an aggregate number of 5,929,200 Class A ordinary shares to the company's consultants who provided advisory services in connection with entering into the definitive joint venture agreements with online game operations and marketing companies.

In March 2025, our board of directors and board committees authorized and approved the issuance of an aggregate number of 450,000,000 Class A ordinary shares (equivalent to 1,500,000 ADSs) pursuant to the Eleventh Amended and Restated 2004 Stock Option Plan in the form of the restricted shares to our directors, officers and employees. All Class A ordinary shares issued as the restricted shares to our directors, executive officers and employees are subject to a three-year vesting schedule and lock-up restrictions where 1/36 portion of the respective share grants shall be vested on the last day of each calendar month following the date of the grant.

Additional Financing

In November 2023, we closed a private placement securities purchase transaction with Bripheno Pte. Ltd., a Singapore limited liability company, pursuant to which we sold and issued (i) 150,000,000 Class A ordinary shares (equivalent to 500,000 ADSs) at a price of US$12 per ADS, (ii) two-year 3% per annum convertible promissory note at the purchase price of US$6 million with the conversion price of US$15 per ADS, and (iii) warrants to purchase an aggregate of 120,000,000 Class A ordinary shares (equivalent to 400,000 ADSs) at an exercise price of US$60 per ADS. The warrants would expire in three years from the date of issuance and may be extended for another year by the written agreement of the parties. These securities were subject to a six-month lock up period. We raised a total of US$12 million as the aggregate consideration for the securities.

In May 2024, we agreed and signed a private placement agreement with Fine Vision Fund, established by Finewill Capital, an internationally renowned investment institution, pursuant to which Fine Vision Fund would invest US$3.5 million to us, with upfront investment of US$2.5 million and second installment of US$1.0 million based on a pre-agreed condition. We would issue Class A ordinary shares to Fine Vision Fund. The value of each share for the upfront investment equals to 15.6% premium on the average closing price over the thirty consecutive trading days prior to the signing of the agreement. The value of each share for the second installment equals to 25% premium on the average closing price over the thirty consecutive trading days prior to the fulfillment of the pre-agreed condition. These shares to be issued are subject to the statutory lock-up period. As of the date of this annual report, Fine Vision Fund had paid the first installment of US$2.5 million. The second installment of US$1.0 million has not paid due to the unsatisfaction of the pre-agreed condition. As a consideration of the first installment of US$2.5 million, we issued 94,244,785 class A ordinary shares to Fine Vision Fund, and issued the share certificate in the name of Fine Vision Fund's affiliate investment company, Wevision Pte. Ltd.

In February 2025, we issued and sold a one-year convertible note in a principal amount of US$3,300,000 to Streeterville for an aggregate consideration of US$2,995,000. The note carries an original issue discount of $300,000.00. The convertible note bears interest at a rate of 6.0% per year, computed on the basis of a 360-day year. Streeterville has the right, at any time after six months have elapsed since the purchase date until the outstanding balance has been paid in full, at its election, to convert all or any portion of the outstanding balance into ADSs of our company at an initial conversion price per ADS calculated as 90% of the lower of (a) the average of the closing trade prices during the five trading days immediately preceding the date of the conversion, and (b) the closing trade price on the trading day immediately preceding the date of the conversion. Beginning on the date that is six months from the note purchase date, Streeterville has the right, exercisable at any time in its sole and absolute discretion, to redeem any portion of the convertible note up to US$500,000 per calendar month. Payment of the redemption amount could be in cash or our ADSs.

In March 2025, we signed a share purchase agreement with Elune Capital Limited, or Elune Capital, a company registered under the laws of British Virgin Islands, pursuant to which we sold and issued to Elune Capital (i) 47,169,600 Class A ordinary shares (equivalent to 157,232 ADSs) for a total consideration price of US$2 million, at the price of US$12.72 per ADS, and (ii) warrants to purchase 141,508,800 Class A ordinary shares (equivalent to 471,696 ADSs) at an exercise price of US$12.72 per ADS. The warrants have an exercise period of two years, and are subject to the following vesting conditions: one-half of the warrants can be exercised after Elune Capital or its business partner signs a strategic cooperation agreement with us, and the other half of the warrants can be exercised after our GameFi platform is launched. We expect that the closing will take place within sixty days after the execution of the share purchase agreement. As of the date of this annual report, this transaction has not been closed.

In March 2025, we signed a share purchase agreement with WEVISION PTE. LTD., or WEVISION, a company registered under the laws of the Republic of Singapore, pursuant to which we sold and issued to WEVISION (i) 23,584,800 Class A ordinary shares (equivalent to 78,616 ADSs) for a total consideration price of US$1 million, at the price of US$12.72 per ADS, and (ii) warrants to purchase 70,754,400 Class A ordinary shares (equivalent to 235,848 ADSs) at an exercise price of US$12.72 per ADS. The warrants have an exercise period of two years and are subject to the following vesting conditions: one-half of the warrants can be exercised after WEVISION or its business partner signs a strategic cooperation agreement with us, and the other half of the warrants can be exercised after our GameFi platform is launched. We expect that the closing will take place within sixty days after the execution of the share purchase agreement. As of the date of this annual report, this transaction has not been closed.

In March 2025, we signed a share purchase agreement with Bripheno Pte. Ltd., Bripheno, pursuant to which we sold and issued to the Bripheno (i) 117,000,000 Class A ordinary shares (equivalent to 390,000 ADSs) for a total consideration price of US$4,960,800, at the price of US$12.72 per ADS, and (ii) warrants to purchase 90,000,000 Class A Shares (equivalent to 300,000 ADSs) at an exercise price of US$60 per ADS. The warrants have an exercise period of two years. As of the date of this annual report, this transaction has been closed.

Nasdaq Notification

On January 11, 2024, we received a notification letter from the Listing Qualifications Department of Nasdaq, notifying us that we no longer complied with Rule 5550(b) (1) of the Nasdaq Listing Rules due to our failure to maintain a minimum of $2,500,000 in stockholders' equity. The Nasdaq notification letter also noted that we did not meet the alternatives of market value of listed securities or net income from continuing operations. Pursuant to Rule 5810(c) (2) of the Nasdaq Listing Rules, we had 45 calendar days (no later than February 26, 2024) to submit a plan to regain compliance with the foregoing listing requirement. On April 22, 2024, we received a notification letter from Nasdaq stating that we have regained compliance with the Nasdaq Listing Rule 5550(b) which requires us to maintain either a minimum $2.5 million stockholders' equity, or $35 million market value of listed securities, or $500,000 of net income from continuing operations for The Nasdaq Capital Market. Therefore, the matter has been closed.

B. Business Overview

We operate a cryptocurrency mining business. We provide computing power, or hash rate, to a Bitcoin mining pool and we are entitled to receive a fractional share of Bitcoin award from the Bitcoin mining pool in return. For most of our history, we had operated and developed proprietary or licensed online games, and we also operated an NFT business between 2021 and the beginning of 2023.

In light of our evolving business lines, we continue to evaluate what compliance policies, procedures and controls may be appropriate based on our current business model.

Cryptocurrency Mining

We began cryptocurrency mining activities in February 2021. We started to provide computing power, or hash rate, to a Bitcoin mining pool and we are entitled to receive a fractional share of Bitcoin award from the Bitcoin mining pool in return. As of March 31, 2025, we had mined a total of 2,142 Bitcoins. After partial sale, we held 285 Bitcoins as of the same date. Our holdings of digital assets may increase in the future as we continue to expand our cryptocurrencies mining activities.

Our Bitcoin received from the Bitcoin mining pool are stored in our Bitcoin electronic wallet. The wallet is designated to have a dedicated multi-signature system. It takes approval from a majority of signatories to transfer Bitcoin out from our wallet. Six of our management level employees were assigned as the signatories of such electronic wallet. Each signatory holds an electronic private key password. In order to ensure the password will not be forgotten or lost by the signatory, each password is kept in a safe box at a bank. The safe boxes are registered under the accounts of two of our wholly owned subsidiaries. We will continue to refine and optimize our holding, storage and custodial practices.

We currently own the following models of mining machines:

- Antminer S19 series with the average hash rate of 90 TH, average age of three years and average energy efficiency of 3,200W. These miners mine Bitcoin. As of the date of this annual report, we owned 14,706 Antminer S19 series miners, including 2,094 located in Aktau, Kazakhstan, 4,104 located in Texas, the U.S., 1,192 located in Alberta, Canada and 7,316 located in Kyrgyzstan.
- WhatsMiner M21 and 31 series with the average hash rate of 60 TH, average age of four and a half years and average energy efficiency of 3,300W. These miners mine Bitcoin. As of the date of this annual report, we owned 1,123 WhatsMiner M21 and 31 series miners, including 31 located in Aktau, Kazakhstan and 1092 located in Kyrgyzstan.
- Avalon A10 series with the average hash rate of 32 TH, average age of four years and average energy efficiency of 2,300W. These miners mine Bitcoin. As of the date of this annual report, we owned 2,040 Avalon A10 series miners, all of which were located in Aktau, Kazakhstan.
- Avalon A8 series with the average hash rate of 13TH, average age of five years and average energy efficiency of 1,200W. These miners mine Bitcoin. As of the date of this annual report, we owned 380 Avalon A8 series miners, all of which were located in Aktau, Kazakhstan.

As of the date of this annual report, we have deployed around 11,451 mining machines in total. We do not use our mining machines as collateral for any loan or other similar activities.

Since the inception of our cryptocurrency mining business, we have been making attempts to acquire mining machines. We had in the past issued our Class A ordinary shares to finance our purchase of mining machines.

- On January 25, 2021, we entered into a Purchase Agreement with the holding entities of several investors in the cryptocurrencies mining industry, including Jianping Kong, the former Director and Co-Chairman of Canaan Inc. (Nasdaq: CAN), a Bitcoin mining machine manufacturer listed on Nasdaq, Qifeng Sun, Li Zhang and Enguang Li, based on the pre-agreed legally binding term sheet.
- In February 2021, we entered into purchase agreements with five Bitcoin mining machine owners to purchase 26,007 Bitcoin mining machines, with a total hash rate of approximately 549PH/S, accounting for about 0.36% of the global hash rate of Bitcoin. Majority of these mining machines were initially deployed in Xinjiang, Sichuan and Gansu in China.
- In March 2021, we entered into purchase agreements with five Bitcoin mining machine owners to purchase various Bitcoin mining machines including different brands, such as WhatsMiner, AntMiner and AvalonMiner, with a total number of 8,489 units and a total hash rate of approximately 156PH/S. These Bitcoin mining machines were initially deployed in Qinghai, Xinjiang and Inner Mongolia in China.
- In March 2021, we signed three legally binding memoranda of understanding with three unrelated Bitcoin mining machine owners to purchase Bitcoin mining machines by the issuance of Class A ordinary shares. This batch of Bitcoin mining machines includes different brands such as AvalonMiner, AntMiner and WhatsMiner, with an additional total number of 10,252 units and an additional total hash rate of approximately 192PH/S. We designated an independent valuation firm to conduct examination and assessment of the Bitcoin mining machine fair market value. We entered into definitive agreement for the total of 5,246 units.

- In March 2021, our wholly owned subsidiary NBTC Limited signed a Bitcoin mining machine purchase agreement with Bitmain Technologies Limited. Pursuant to the purchase agreement, we will purchase 24,000 Antminer S19j Bitcoin mining machines, which are scheduled to deliver starting from November 2021, for a total consideration of US$82.8 million payable in installments according to the agreed time schedule. As of the date of this annual report, all consideration has been paid.

- In April 2021, we entered into share purchase agreements with three sellers of Bitcoin mining equipment separately. In June 2021, we entered into an amendment with one of the seller as certain 5,000 units of the Bitcoin mining equipment have defects and are not suitable for the intended use.

- In June 2021, we acquired Montcrypto Ltd., a Canadian company, to build a 20MW supply of electricity in Calgary, Canada. The carbon-neutral infrastructure of Montcrypto Ltd. provides a greener and more environmentally friendly power supply to the cryptocurrency mining business of us. Montcrypto Ltd. had signed natural gas procurement contracts with local oil extraction companies and plans to build carbon-neutral cryptocurrency mining facilities by using natural gas as the source of electricity power generation. We invested a total of 7.6 million Canadian dollars in two phases to obtain the controlling stake in Montcrypto Ltd. Upon the completion of the construction, the power capacity of the mining facilities is expected to reach 20MW, which can supply electricity to operate more than 6,000 S19j Antminers. However, as of date of this annual report, the construction has not been fully completed and mining facilities have not been delivered to us for full deployment of our mining machines on the agreed date. We have reduced our shareholding to 30% and have no ongoing mining operations.

- In July 2021, we signed a cryptocurrency mining hosting agreement with Russian company BitRiver through our wholly owned subsidiary NBTC Limited. BitRiver, headquartered in Moscow, was established in 2017 to provide global hosting services and one-stop, turnkey solutions for large-scale cryptocurrency mining operations. BitRiver utilizes surplus hydroelectric power to operate data centers through low cost and sustainable renewable energy that offers hosting services for cryptocurrency mining in Russia and the CIS region. The initial term of the agreement is two years. All of our Russia-related operations have been wound up, following the OFAC restriction.

- In August 2021, our wholly owned subsidiary NBTC Limited and a Kazakhstan company LGHSTR Ltd. have signed a non- binding investment memorandum to establish a joint venture in Kazakhstan. Subsequently, we have decided to terminate joint venture and instead to cooperate based on contractual basis through signing of hosting services agreements with LGHSTR Ltd. and its affiliates for deployment of miners in the data-center located in Aktau region, Kazakhstan. Hosting agreements are in substantially similar forms with the term of one year, which could be automatically extended for another one-year period, unless terminated by the parties under the conditions therein. Pursuant to the hosting agreements, NBTC has a right to suspend operations or terminate the agreements in case the price of Bitcoin will be below NBTC's operational costs. As of December 31, 2024, NBTC has terminated hosting agreements. Prior to termination, NBTC Limited deployed total of 2,094 mining machines with a total hash rate of 188,460 TH . In February 2025, NBTC Limited filed a complaint in the court against LGHSTR's shareholders based on the guarantee agreement entered into between LGHSTR's shareholders and NBTC Limited. In April 2025, the court has determined to proceed, on a *prima facie* basis, with the case, and the case will be placed on a waiting list for formal filing.

- In May 2022, our wholly owned subsidiary NBTC Limited and Kyrgyzstan enterprise SolarCoin LLC signed a five-year rental agreement regarding a block chain computing center in Kyrgyzstan, pursuant to which we would obtain the right to use 31.5MW electricity capacity for the deployment of its 7,500 Antminer S19J Bitcoin mining machines contributing approximately 675PH/s hash power. In March 2023, the parties amended the agreement to prolong the contract term for one year. As of the date of this annual report, 7,347 machines had been deployed. NBTC Limited has a unilateral right to terminate the rental agreement at its sole discretion by sending a prior written notice to SolarCoin LLC 30 days in advance. SolarCoin LLC has no right to terminate the rental agreement if there is no default of NBTC Limited. The rental includes a fixed rental fee of US$100 per month and a non-fixed fee, which should be calculated according to the actual consumption of the electricity.

- In March 2023, our subsidiary, NBTC US Ltd and Crypto Mine Group LLC entered into a hosting agreement pursuant to which Crypto Mine Group LLC, later renamed into Hashland Inc., agreed to host our mining machines in its data center located at Pecos County, Texas, United States. As of December 31, 2024, we have terminated the hosting agreement with Hashland and filed a legal complaint against them in the state court of Texas. We claim return of contractual deposit sums and lost profits due to Hashland defaults under the hosting agreement. Before the termination of the agreement, we had 6,142 Antminer S19 miners hosted by Hashland on our behalf. The term of the terminated hosting agreement was 12 months, and Crypto Mine Group LLC had an obligation to provide electricity, hosting service, and other related services. With respect to service level target, unscheduled downtown time should be no more than five percent of total hours in such month. According to the hosting agreement, NBTC US Ltd had a unilateral right to terminate the hosting agreement at any time without defaults if it decides the services will no longer benefit its business or the Bitcoin market price has fallen below its costs to generate Bitcoin. Furthermore, if NBTC US Ltd elects to suspend the operation of the miners up to 15 consecutive days, the hosting agreement will be automatically terminated without prior notice.

- In December 2024, our wholly owned subsidiary NBTC US Inc. signed a hosting agreement with JKL Saddleback LLC pursuant to which we have deployed 3,000 Series S19 Antminer miners for hosting services for the initial term of one year. The total hash rate of the miners is 369,360 TH. We store a total of 4,104 miners in the data-center provided by JKL Saddleback LLC. Pursuant to the hosting agreement, NBTC US Inc. shall cover energy costs and other basic costs of operations and is entitled to 45% of the profits generated by operations of its miners. The rest 55% of profits above cost shall be transferred to JKL Saddleback LLC. JKL Saddleback LLC shall provide the services in accordance with the minimum service level of 95% uptime and shall monitor the real-time profitability of our Equipment with respect to power costs and shall use reasonable efforts to minimize operation of the equipment during periods of negative profitability. JKL Saddleback LLC shall provide notice of any such curtailment of mining operations based on negative profitability. The hosting agreement may be terminated by mutual agreement.

- In 2024, our wholly owned subsidiary 1111 Limited signed a master loan agreement with an unrelated institutional investment firm, Equities First Holdings LLC, or **Equities First**, pursuant to which Equities First extends loans to 1111 Limited in several tranches, each of which is secured by 1111 Limited's Bitcoin as collateral for the maximum value of 300 Bitcoins. Historically, we pledged 273 Bitcoins for six loan tranches to secure the repayment of the net loan proceeds of approximately 15 million USDT. Each loan tranche has the same loan-to-value ratio of 65%. Each tranche of the loan (a) shall be payable back after one-year period, (b) has an annual interest rate of 3.25% on the respective principal amount, with such interest payable quarterly, and (c) is subject to 2% of the origination fee withheld from the principal amount of each tranche. In addition, 1111 Limited signed a master pledge agreement with Equities First, pursuant to which it assigns to Equities First and transfers all rights, title, ownership, and interest in and to the Bitcoin collateral. 1111 Limited and Equities First agreed that the loan and the pledge are non-recourse, i.e., Equities First shall look only to the Bitcoin collateral for the repayment of the principal loan amounts. Within five days of 1111 Limited's repayment of the principal loan amounts, Equities First shall reassign all rights, titles, ownership and interest in the Bitcoin back to 1111 Limited. In April, 2025, we repaid the loan under the first tranche, and we have received 50 BTCs collateralized under the first tranche. As of the date of this report, 223 BTCs are collateralized under the loan agreement.

- In April 2025, 1111 Limited signed another master loan agreement with Equities First, with the substantially similar material commercial terms and conditions with the first loan agreement as of 2024 (the "**Loan Agreement #2**"). As of the date of this annual report, under the Loan Agreement #2, we pledged 50 Bitcoins for one loan tranche to secure the payment of the net loan proceeds of approximately 2.62 million USDT. As of the date of this annual report, we have pledged 323 Bitcoins in total.

Certain of our attempts to acquire mining machines, such as WhatsMiner M32 machines and Filecoin mining machines, were terminated for business considerations.

Mining pool operators

Binance mining pool

In July 2021, NBTC Limited, our wholly owned subsidiary, signed a memorandum of understanding (MOU) with Binance Capital Management Co., Ltd., an operator of Binance mining pool, or **Binance**, pursuant to which NBTC Limited has agreed to connect 50% of its total miners' hash rate to Binance's Bitcoin mining pool for a period of at least three years, which can be extended and such extension shall be for a minimum of one-year period. NBTC Limited, executed the MOU with Binance for business development purposes. Specifically, the term of providing 50% of mining resources to the Binance pool for at least four years was solely for business development purposes. This term does not specify the amount of computing power NBTC Limited had at the time of signing, nor does it commit to any specific increase in computing power to be connected to the Binance mining pool. Furthermore, if NBTC Limited transfers the legal title of its mining machines to another subsidiary of the Company, this commitment will be meaningless and nullified. According to Article 12 of the MOU, the MOU can be terminated through: (a) mutual replacement with a new agreement; (b) unilateral termination with three months' advance written notice; or (c) automatic termination after 365 days after signing. The MOU should have been legally terminated on July 7, 2022 in accordance with its Article 12c. As of the date of this annual report, NBTC Limited or any of our group companies had not entered into any new mining pool agreement with Binance after the signing of the MOU. Due to the long-term relationship with Binance, we still used Binance's mining pool for a period from July 7, 2022, through September 2024, when NBTC Limited terminated all mining activities due to cost consideration. Although this MOU was not explicitly extended, we believe that the collaboration with Binance was still active for a period from July 7, 2022, through September 2024, following the principal terms of the MOU. Such cooperation could be terminated at any time by either party without compensating the other party. As a matter of fact, NBTC Limited terminated all mining activities, including cooperation with Binance, due to cost considerations in September 2024. In November 2024, NBTC Limited has resumed the mining activities due to the increase of Bitcoin price. However, NBTC Limited uses another F2Pool mining pool and does not use the Binance mining pool anymore.

Fish2Pool

We are bound by Fish2Pool standard terms and conditions published on their website. We are deemed to have entered into the agreement with Fram Farm Inc., a BVI business company registered in the British Virgin Islands with company number 2138445 and registered office at Trinity Chambers, PO Box 4301, Road Town, Tortola, VG1110, British Virgin Islands. Fish2Pool currently charges 0.8% fee for the use of their pool. As the user of Fish2Pool we agree to abide by their terms of use. The agreement may be terminated by either party any time without liability.

Mining pool operations in Kazakhstan

Pursuant to the local laws and policies in Kazakhstan, we must arrange our Bitcoin miners to participate in Kazakhstan's local mining pools. As of the date of this annual report, since May 2024, we disconnected the miners in Kazakhstan.

We have used two locally registered mining pools in Kazakhstan through agreements between our service provider LGHTSTR Ltd., each locally registered mining pools in Kazakhstan. According to the agreement by and between LGHTSTR Ltd. and NBTC, NBTC is bound by the terms of the agreements negotiated by LGHTSTR Ltd. on NBTC's behalf.

In 2023, our service provider, LGHTSTR Ltd. signed a cooperation agreement with Pool4Miners Limited Liability Partnership, or **Pool4Miners**, a registered provider of the Bitcoin mining pool services in Kazakhstan. According to the cooperation agreement:

- NBTC wallet was opened to collect Bitcoin mining proceeds.
- Control of the wallet has been fully given to NBTC by LGHTSTR Ltd.
- Pool4Miners is entitled to 2.75% of all mined Bitcoin proceeds generated by the mining equipment of NBTC whereas NBTC is entitled to 97.25%.
- Each party is responsible for its respective taxes.

- LGHTSTR Ltd. is responsible to provide daily mining hash rate of no less than 82.88 PH/S to the pool. If the hash rate is less than 82.88 PH/S for fifteen consecutive days after the signing date of the cooperation agreement or any three consecutive days during the term of the cooperation agreement, Pool4Miners has the right to unilaterally terminate the agreement or change the Bitcoin distribution ratio.

- Pool4Miners is responsible for technical operations of the pool, provision of information about operations of the pool (excluding its own financial performance) and provision of monthly Bitcoin mining reports to us.

- Pool4Miners' liability is limited to the actual damages caused to LGHTSTR Ltd.

In March 2024, LGHTSTR Ltd. has terminated the agreement. In the same month, our service provider LGHTSTR Ltd. signed the Agreement for the Provision of Services of Combining the Capacity of Hardware and Software Complex for Digital Mining of Digital Miners and Distribution of Digital Assets Obtained as A Result of Miners' Activities, or the **Fish2Pool Agreement**, with Fish2Pool Kazakhstan Ltd., or **Fish2Pool**. According to the Fish2Pool Agreement:

- NBTC wallet was opened to collect Bitcoin mining proceeds.

- Control of the wallet has been fully given to NBTC by LGHTSTR Ltd.

- Fish2Pool undertakes to provide remote operational services in respect to our mining equipment: (a) acceptance of our mining equipment computing power to its serve equipment on a daily basis, and (b) distribution of digital assets to us daily.

- Fish2Pool's service fee is 2.5% of the distributed Bitcoin proceeds generated by our mining equipment in terms of the block reward, calculated in accordance with the FPPS calculation formula. Fish2Pool's fee shall be paid by us on a daily basis only when we actually begin to engage in digital mining activities. The rate of Fish2Pool's fee shall be fixed as 2.5% for one year from the signing date of the Fish2Pool Agreement if we can keep the weighted average hash rate in all accounts at above 150PH/S. This implies that the fee rate of 2.5% is a base-line rate which has been agreed subject to the condition that NTBC's connected equipment for all accounts reaches a weighted average hash rate of 150PH/S during the one-year period. "**Accounts**" refer to different wallet addresses that may be opened on Fish2Pool to collect mining proceeds from the connected equipment. Before termination of operating activities in May 2024, the base-line fee rate of 2.5% has not been subject to the adjustment mechanism. Specifically, the parties agreed that if the statistical probability of finding a new block for Bitcoin mining by NBTC's connected equipment during any three-month period in the one-year period falls below 80% from the normally expected tera hash level of 100% working miners, then the rate will be increased from 2.5% to 3.0%. This additional condition relates to the stability of NBTC's equipment performance, which may be affected by unstable internet connection in the data center hosting NBTC's equipment that obstructs submission of calculation results generated by such equipment to the network. For one year from the signing date of the Fish2Pool Agreement, fee rate has not been increased to 3.0%.

- Fish2Pool shall provide us with work reports daily. We have the right to object to the report within five days. Otherwise, report results shall be binding on us.

- Each party shall be responsible for paying their respective taxes.

- We have the right to terminate the agreement in case Fish2Pool loses its operating license in accordance with the laws of Kazakhstan, including the revocation, annulment and/or other cancellation of accreditation of Fish2Pool as a digital mining pool in Kazakhstan. We also have the right to terminate the agreement for any reason and any time, provided that we have fulfilled all financial obligations for services rendered under the agreement. Fish2Pool does not have an explicit right to terminate the agreement during the term of the agreement. However, Fish2Pool has the right to unilaterally suspend the provision of services without any liability to us if Fish2Pool's equipment loses technical ability to perform pool services.

- Fish2Pool is responsible to provide instructions to connect our equipment to the mining pool, solve all technical issues regarding operations of the pool and provide information reports about Bitcoin mining activities of our equipment.

- Fish2Pool's total aggregate liability in connection with the Fish2Pool Agreement is limited to the total of all payments made by us during the daily per diem period of the Fish2Pool Agreement immediately preceding the event that entails Fish2Pool's liability. However, Fish2Pool shall be responsible to us in case of any failure of the equipment for any reasons that violate the Rules of Accreditation of Digital Mining Pools which was approved on April 11, 2023 by the Order of the Minister of Digital Development, Innovation and Aerospace Industry of Kazakhstan.

- Fish2Pool guarantees the security, warrants and is fully responsible for the digital assets to be distributed through the mining pool pursuant to the Fish2Pool Agreement. In case of any damages to the digital assets during the use of the mining pool, Fish2Pool shall fully compensate for our losses.

With respect to Filecoin mining, we rely on a Filecoin mining company to manage Filecoin mining instead of managing it by ourselves. We do not have control over the Filecoin mining operations.

With respect to crypto assets held by mining pools, our mined Bitcoin awards are transferred daily from the mining pool to our designated cold wallet. We have access to our account information on the website of the mining pool, which includes historical and current hash rates of miners, historical rewards and pay out dates. Only our designated personnel can assess these data by logging in using password. We can access these data for the past year. We do not have inspection rights to any mining pool operator's internal data. To our best knowledge, pool operators do not have insurance to cover customers' assets.

Custody procedures

In June 2021, we announced Coinbase Custody, a wholly owned subsidiary of Coinbase Global Inc. (Nasdaq: COIN), as the custodian for our digital assets, including Bitcoin. Since July 2022, we changed to self-custody.

All our Bitcoin are kept in the blockchain, which keeps track of the addresses that hold the Bitcoin and how much they hold. When we need to use the Bitcoin for various payments, we transfer the Bitcoin to our overseas account via the online trading platforms. We have six laptops designated for these transfers, which, together with the 12-word seed phrase stored in our safe deposit boxes in banks, are referred as our cold wallets. The Bitcoin wallet adopts a 6/4 multi-signature mechanism, meaning out of the six people holding the passwords, any four people providing passwords together can execute transfer to Bitcoin. Six management level employees are assigned to be the password holders. Passwords are also stored in two bank safe deposit boxes, with each safe deposit box storing three passwords. The two safe deposit boxes were opened under the names of our two wholly owned subsidiaries. To open any safe deposit box, the authorized representative of that subsidiary needs to go to the bank in person together with the official seal of that subsidiary. The official seals of the two subsidiaries are physically stored in the safe boxes of the two subsidiaries. We have an internal approval procedure for the authorized representatives to take out the official seals. The laptops and the safe deposit boxes are currently physically located in China. However, the laptops and the 12-word seed-phrase can be replaced or brought to another jurisdiction without breaching the laws of the Chinese mainland. As of the date of this annual report, the laws of the Chinese mainland do not prohibit the holding of virtual currencies. However, the laws of the Chinese mainland prohibit any trading and financial activities related to virtual currencies or any crimes committed through virtual currency transactions. Substantial uncertainties remain as to whether the Company's activities will be deemed as trading and financial activities under the laws of the Chinese mainland. If such activities are deemed as prohibited trading and financial activities under the laws of the Chinese mainland, the legal consequences would be that these activities are invalid and therefore not protected by the laws of the Chinese mainland.

The values of Filecoin and other crypto assets are smaller. We keep them in our hot wallets opened in crypto exchanges like Binance. Binance uses a 3/2 multi-signature mechanism, meaning out of the three people holding the passwords, any two people together providing passwords can execute transfer to Filecoin. Other than passwords, Binance also requires the transferors to provide email and cell phone SMS confirmations.

Breakeven analysis for our Bitcoin mining operations

We cooperate with different Bitcoin mining sites located in Kazakhstan, Kyrgyzstan, the U.S. and Canada. The majority of our Bitcoin mining machines were purchased in 2021 by cash. We did not finance the purchase of our Bitcoin mining machines. The hosting fee charged by mining sites, Bitcoin mining machine depreciation and mining pool fees are the major costs we use to perform breakeven analysis. Based on the computing power of different types of Bitcoin mining machines, we can estimate the Bitcoin reward we will receive by our Bitcoin mining machines using the latest public Bitcoin reward information, for example, those available on Binance's website. Examples provided herein are only for illustration purposes. The actual results will depend on the actual price and other factors as of the applicable date.

Our breakeven analysis is made under the following assumptions:

- Hash rate, which is the computational power of our mining machines, is 1,000 PH/S.
- Daily power consumption, which is the amount of electricity consumed by our mining machines per day, is 30,000 kW.
- Hosting fees, which is the cost of electricity per kilowatt-hour, or kWh, charged by our mining site partners, is $0.06/kWh.
- Daily depreciation by using straight-line depreciation to depreciate our mining machines over a three-year period, is $10,000.
- Network hash rate, which is a measure of how difficult it is to mine a Bitcoin block, is 700,000 PH/S.
- Daily block reward is 416 Bitcoin per day, assuming 3.125 Bitcoin per block and 144 blocks per day.
- Average mining pool fee, which is the approximate average fee charged by mining pools, is 1%.

Calculation of the breakeven Bitcoin price:

- Daily hosting fees = 30,000kW per day * $0.06/kWh * 24 hours = $43,200 per day.
- Daily total cost = $36,000 + $10,000 = $46,000.
- Daily Bitcoin production = 1,000 PH/S / 700,000 PH/S * 450 Bitcoin per day = 0.64.
- Daily pool fees in Bitcoin: 0.64 * 1% = 0.0064.
- Daily Bitcoin received, net of pool fees = 0.64 - 0.0064 = 0.6336.
- Breakeven Bitcoin Price: $43,200 / 0.6336 = $68,182.

With respect to Filecoin mining, we rely on a Filecoin mining company to manage Filecoin mining instead of managing it by ourselves. We do not have control over the Filecoin mining operations.

Potential risks in relation to crypto assets market and our business partners

We may be required to pay advanced cash deposits to our partners who operate data centers before we deploy our machines. These deposits may not be recovered or may be otherwise be lost or misappropriated due to the bankruptcy of our partner entities. For example, Compute North filed for bankruptcy in September 2022 and the liquidation committee was formed to distribute the assets to its creditors. Due to the bankruptcy of Compute North, the deposit we paid to them amounted to approximately US$1.3 million and has not been returned to us and is subject to Compute North's liquidation process.

In case if any regulatory actions would be imposed on mining pool operators or exchanges with which we have business relationships, we may be adversely affected. However, since our mined Bitcoin rewards are transferred to our cold storage daily, in the adverse event concerning any mining pool, our Bitcoin loss would be limited to daily mining reward amount.

Historical NFT Business

In August 2021, we formally launched an NFT business. In January 2023, we ceased operations of the NFT business and its related blockchain-based online game, MetaGoal. The decision to cease operations of the NFT business was primarily a result of unfavorable financial performance. As of the date of termination of these operations, the NFT business and MetaGoal had generated less than $100,000 of revenue in 2023. In light of this development, these operations are no longer material and will not be relevant to our company's financial results going forward. In 2023, we sold NFTSTAR Singapore Pte. Ltd. and its subsidiaries to an unrelated third party and we no longer operate an NFT business.

Historically, NFTSTAR Singapore Pte. Ltd., our former Singapore wholly owned subsidiary, launched a NFT trading and community platform NFTSTAR. Historically, we sold three NFT collections. All of them featured soccer celebrities with whom we entered into licensing agreements. We sold 200 NFT products of Luís Figo, a Portuguese soccer player, which is also the amount outstanding in the secondary market. We sold 5,630 NFT products of Son Heungmin, a South Korean soccer player, and re-purchased 966 of those. Therefore the amount outstanding in the secondary market is 4,664. We sold 1,498 NFT products of Neymar, a Brazilian soccer player, which is also the amount outstanding in the secondary market.

Historically, as marketing promotion, our customers were able to use their purchased NFTs to earn in-game currency (originally called Starcoin and afterwards Mcoin as we wanted to separate Metagoal from NFTSTAR) and player cards of MetaGoal. Customers were able to use such rewards in the game play of MetaGoal. However, when the customers purchased our NFTs, we were not obligated to provide such MetaGoal game service to the customers. At this time, the NFTSTAR terms and conditions on the NFTSTAR website did not mention MetaGoal. We did not have any obligations to the holders of our NFT products. After our customers purchased our NFT products, they owned the NFTs and the transactions were completed.

Historically, we accepted Ethereum as payments for our NFT products. We determined the value of Ethereum on the date of the NFT sale, which was also the date when we received the Ethereum. We recorded revenue using the fair value of Ethereum on that date based on the quote of a reputable crypto exchange. We did not have a standard policy to monetize the Ethereum we earned from the sale of our NFT products. Between 2021 and the beginning of 2023, we earned 755 Ethereum from the sale of our NFT products and recognized US$1.7 million revenue. We only sold our Ethereum once in July 2023, when we sold 330 Ethereum and monetized approximately US$0.6 million.

Since January 2023, we no longer mint or offer NFTs, or provide any services related to previously minted NFTs. NFTs that we previously issued are only available on third-party trading sites that we do not operate or control. Before we sold NFTSTAR to third-party buyer in 2023, we received royalties from secondary sales of previously issued NFTs which only amounted to RMB26 thousand.

We did not operate a platform on which users could directly purchase and sell NFTs. Wallets were not operated by, maintained by, or affiliated with NFTSTAR, and NFTSTAR did not have custody or control over the contents of users' wallets and had no ability to retrieve or transfer its contents. Users could not purchase NFTs directly from the NFSTAR-owned website because we removed trading function from the website in May 2022. We did not execute or effectuate purchases, transfers, or sales of NFTs. We did not provide any other NFT services to our customers.

NFTs which were purchased in the past and transferred to the users' personal wallet addresses should be available to them because NFTs were minted on public blockchains. So long as the underlying blockchain exists, holders of the NFTs may transfer, sell or buy NFTs via such blockchain without the use of NFTSTAR's or any third-party platforms. We cannot guarantee that any of the sold NFTs will be always visible on any third-party platforms. If bankruptcy and insolvency procedure will trigger termination of any agreement with a third-party platform, such termination does not create an obligation to remove NFTSTAR's NFTs from such third-party platform.

Description of our historical NFT business

NFTSTAR that we historically operated was a NFT community platform that provided users with interactive activities. NFTSTAR featured NFT collections created by global stars licensed IPs. Users could purchase stars' limited NFT collections through third-party NFT sales platforms, such as OpenSea. Each NFT collectible has a unique record on the blockchain, and the users would obtain the ownership of the unique NFT collectible through purchase on the third-party platforms, or through secondary market trading. NFTSTAR accepted general payment methods such as credit cards to make it easy for mainstream consumers to participate.

NFTSTAR community aimed to feature stars from various fields, including, but not limited to, sports, entertainment, art, and other industries celebrities. Global sports stars were the main partners at the initial launch. NFTSTAR community aimed to create a significant entrance to the future metaverse through NFT collections, trading, and community platform.

We conducted business of proprietary NFT development and trading through our subsidiary. NFTSTAR's in-house development team collaborated with various third-party contractors to create NFTs featuring licensed celebrities for sale to consumers. In November 2021, we entered into license agreements with international sports stars pursuant to which they granted us licenses to use their likeness for production of NFTs. As of December 31, 2024, the total sum paid under license agreements was US$17.7 million. We had no further payment commitment as of the date of this annual report.

NFTSTAR's consumers were able to buy NFTs and trade NFTs through third-party platforms, such as OpenSea, depending on our decision where to launch the initial offering of each NFT collection. On the NFTSTAR website, users were redirected to third-party platforms for the purchase of NFTs. Users might connect their third-party digital wallets to view NFTs which were purchased in the past, but the use of such wallets is subject to the terms and conditions of the applicable provider of the wallet.

We, periodically, monitored transaction records on the chain and conducted closer examination of any abnormal transactions, such as high-volume transactions. However, we did not, and were technically unable, to monitor all the wallets involved in the NFT transactions.

For a short period from October 2021 to May 2022, consumers were able to purchase NFTs on our own platform and were required to create a centrally managed account on the NFTSTAR's website in order to buy our NFTs in exchange for fiat or cryptocurrencies and were able to withdraw re-sale proceeds in the form of fiat after they sold their NFTs in a secondary transaction, or the **Marketplace Account Operations**. In connection with the Marketplace Account Operations, we used centralized web 2.0 model and collected all payments for traded NFTs into the single pool under our management. We outsourced payments in fiat to third-party payment service providers. Know Your Customer was conducted by payment service providers on their webpage. Similarly, Know Your Customer was conducted by payment service providers when consumers withdrew fiat. We used omnibus structure for storing client payments and made withdrawals from the same account.

As a requirement of our oversight and control measure over outsourced service, payment service providers provided us with reports containing consumers' information including IP address, nationality, photo, name, credit card type, last four digits of the credit card, validation, issuing bank, and issuing country. Our compliance specialists could verify if our imposed consumer restrictions were upheld. For example, our requirement for payment service providers to comply with laws of the Chinese mainland was that no NFT shall be traded by citizens of the Chinese mainland.

The Marketplace Account Operations were terminated in May 2022 and we subsequently closed all fiat withdrawals in June 2022. For the most part, platform change in May 2022 did not affect the terms, rights and obligations of the NFTs, except for increased transferability. All NFTs minted and sold prior to the platform change remain to be the property of our buyers. Prior to May 2022, NFTSTAR managed centrally controlled digital wallets of our customers which were opened on the proprietary marketplace. When customers transacted with each other, they could only do it within our marketplace, or with customers who had wallets on our marketplace. Network fees or gas fee, which is the cost that certain blockchain protocol users pay to network validators each time they wish to perform a function on the blockchain, was assumed by NFTSTAR. Upon the platform change, NFTSTAR moved every NFT from such marketplace wallets to the decentralized wallet addresses provided by the customers, free of charge. Once NFTs were transferred to the decentralized wallets, customers could sell or transfer NFTs to any wallet address (non-confined to our marketplace) via third-party platforms compatible with Polygon and Ethereum blockchains. However, they would need to pay gas fees to the network validators themselves.

In May 2022, we transitioned to decentralized web 3.0 model of operations where we did not require consumers to open centrally-managed accounts on our website in order to purchase our NFTs. Consumers could purchase NFTs through third-party sales platforms or C2C offering transactions by directly sending purchase price to the sellers and record their transactions on the open blockchain. Thus, we did not collect and store sales proceeds in the C2C transactions.

Our roles in the NFT business and analysis addressing why the NFTs should not be considered securities under Section 2(a) (1) of the Securities Act of 1933

Until January of 2023, our NFT business consisted of the creation and minting of a series of NFTs containing digital images of soccer celebrities, with whom we entered into licensing agreements. We sold three distinct NFT collections. We sold 200 NFT products of Figo, which is also the outstanding amount in the secondary market. We sold 5,630 NFT products of Son, and re-purchased 966 of those. Therefore the outstanding amount in the secondary market is 4,664. We sold 1,498 NFT products of Neymar, which is also the outstanding amount in the secondary market. The technical nature of the NFTs minted are consistent in that they contain similar metadata and were minted on the Polygon blockchain.

As part of our marketing efforts, we provided purchasers of certain NFTs with the ability to use those purchased NFTs in order to claim additional rewards or perks. These perks consisted of earning in-game currency coins, winning prizes such as memorabilia signed by celebrities, and obtaining early access to certain events. While we facilitated the ability of customers to use their purchased NFTs to earn in-game currency in Metagoal, we did not have any obligation to do so and does not have any ongoing obligations to the holders of any of the NFTs sold. We developed a blockchain-based on-line game, MetaGoal, trying to attract more customers. Customers may use their purchased NFTs to earn in- game currency (we called it Starcoin at the beginning and Mcoin afterwards when we wanted to separate Metagoal from NFTSTAR) and player cards. Customers may use such rewards in the game play of MetaGoal. When the customers purchased our NFTs, we did not commit to provide such Metagoal game service to the customers though. Alternatively, players could spend money to buy Starcoins/Mcoins to play in MetaGoal.

As noted above, we do not currently, and will not in the future, engage in any actions designed to support the secondary price of the NFTs. The secondary market for our NFTs is dependent on the willingness of customers to trade their NFTs. From May 4, 2022 to June 8, 2022, we did engage in certain repurchases of NFTs. Specifically, we sold 5,630 NFT products of Son, and re-purchased 966 of those. Under the terms of the agreement between OpenSea and the NFTSTAR, NFTSTAR might set seller secondary fee of up to 10% of the publicly recorded sale price of the applicable NFT, as specified by seller upon logging into seller's account and accessing the collection editor feature. NFTSTAR had set such fee at 5% of an NFT's sales value from any secondary sale transactions.

Prior to May 2022, we required that customers create a centrally managed account on NFTSTAR's website in order to purchase NFTs in exchange for fiat or cryptocurrencies or to withdraw resale proceeds in the form of fiat currency following a secondary transaction (our Marketplace Account Operations). In connection with the Marketplace Account Operations, we used a centralized Web 2.0 model and collected all payments for traded NFTs into the single pool under its management. As of May 2022, we transitioned to offering its proprietary NFTs on third-party platforms only. NFTSTAR stopped processing customers' payments on its own platform. We transitioned to decentralized Web3 model of operations and no longer required consumers to open centrally managed accounts on its website in order to purchase our NFTs. Customers might purchase NFTs from third-party platforms, such as OpenSea. NFTSTAR created NFTs and minted its final product NFTs on such platforms.

Whether a particular NFT is a "security" is subject to some uncertainty. We evaluated our historical NFT business and are of the view that the business did not involve the offer and sale of securities. In making this determination, we considered the nature and structure of the digital assets that were made available on its platform, as well as a number of other factors, including the provisions of U.S. federal securities laws, judicial precedent (such as the U.S. Supreme Court's decisions in the SEC v. W.J. Howey Co., 328 U.S. 293 (1946) and the Reves v. Ernst & Young, 494 U.S. 56 (1990) cases, as well as the Federal District Court's decision in the Gary Plastic Packaging Corp. v. Merrill Lynch, Pierce Fenner & Smith, 756 F.2d 230 (2d Cir. 1985) case), the SEC's Framework for Investment Contract Analysis of Digital Assets published by the Commission's Strategic Hub for Innovation and Financial Technology, or the **FinHub Framework**, and reports, orders, press releases, public statements and speeches by the SEC and its staff providing guidance on when a digital asset may be a security for purposes of the federal securities laws.

Section 2(a) (1) of the Act defines the term "security" to include an "investment contract." Under the legal framework, an "investment contract" exists when there is an agreement, contract or scheme involving an investment of money in a common enterprise with a reasonable expectation of profits to be derived from the efforts of others. In considering the qualities of a transaction, courts look to the "economic reality" of the transaction and "what character the instrument is given in commerce by the terms, the plan of distribution, and the economic inducements held out to the prospect." FinHub Framework for "**Investment Contract**" Analysis of Digital Assets, Section II.C (Apr. 3, 2019), https://www.sec.gov/corpfin/framework-investment-contract-analysis-digital-assets.

We do not believe that the "expectation of profits derived from the efforts of others" prong of the *Howey* test has been met. We did not engage in any marketing suggesting that that the NFTs constitute an investment or that the value of the NFTs would appreciate over time. Further, other than temporary repurchases of the NFTs for its own account, we did not engage in any activities intended to drive price appreciation. Finally, as of May 2022, we ceased providing a platform for secondary transactions of the NFTs.

Intellectual property

Underlying IP of our NFTs were granted through the license agreements, pursuant to which owners of the IP, or sports stars or their agents, had granted NFTSTAR the right and license to use sports stars' names, voice, likeness, quotes, visual or artistic representation and other identifiable information in connection with the production of NFTs, promotion of the NFTs and sales of NFTs. The license included the right to integrate and synchronize various IP elements into NFTs and marketplaces where such NFTs would be sold. NFTSTAR had an obligation to seek prior approval of each NFT design from the IP owners.

Additionally, the license, initially granted to NFTSTAR, was also granted to any subsequent owner of the NFTs for the right to use the NFTs for personal and non-commercial use. The resale of NFTs by subsequent owners would be deemed as non-commercial use.

Cooperation under all signed license agreements was exclusive for the term of such license agreements, which typically varied between two and three years. License was granted solely in the personal capacity of each celebrity, so that we did not have a license to use any sport clubs' or national teams' names, logos, trademarks and other IP.

Other matters

Our NFTs were created on Polygon and Ethereum blockchains. Polygon is a blockchain platform that aims to create a multi-chain blockchain ecosystem compatible with Ethereum. Polygon uses a modified proof of stake consensus mechanism that enables a consensus to be achieved with every block. The proof of stake method requires network participants to stake—agree to not trade or sell—their MATIC tokens, in exchange for the right to validate Polygon network transactions. Successful validators in the Polygon network are rewarded with MATIC tokens. Currently, Polygon Foundation is one of the largest holders of MATIC tokens. Ethereum is an open-source protocol. As with Ethereum, it uses a proof-of-stake consensus mechanism for processing transactions on-chain while deriving its security from Ethereum. General consensus is that Ethereum blockchain is decentralized and maintained by community of its users with no single person controlling it.

Our NFTs cannot be fractionalized. After initial sale of the NFTs, we were entitled to 5% of the NFTs sales value from each of secondary sale transactions. Percentage was determined by NFTSTAR based on the market research of fees for similar NFT projects across various NFT trading platforms.

Holders of our NFTs are deemed as full legal owners of each NFT they purchased. Underlying IP of our NFTs were granted to any subsequent owner of the NFTs for the right to use the NFTs for personal and non-commercial use under the license agreements between NFTSTAR and sports celebrities. The License agreements provided that the resale of NFTs by subsequent owners will be deemed as non-commercial use.

NFT holders could sell and transfer their NFTs on third-party marketplaces where they have initially bought NFTs.

Internal Procedures with respect to Crypto Assets

In recent years, the SEC and U.S. state securities regulators have stated that many or most crypto assets or crypto asset products constitute securities under U.S. federal and state securities laws. A number of enforcement actions and regulatory proceedings have since been initiated against crypto assets and crypto asset products and their developers and proponents, as well as against trading platforms that support crypto assets. Several foreign governments have also issued similar warnings cautioning that crypto assets may be deemed to be securities under the laws of their jurisdictions. The SEC has historically used the *Howey* test to assess whether an arrangement or instrument constitutes a security. The *Howey* test says a security is "a contract, transaction or scheme whereby a person invests his money in a common enterprise and is led to expect profits solely from the efforts of the promoter or a third party." Therefore, for any crypto assets, including NFTs, we apply the Howey test when determining whether such assets are securities.

We continue to analyze the cryptocurrencies which we mine under our internal policies and procedures on a periodic basis to ensure that they are not securities under U.S. federal and state securities laws. We closely monitor any new industry and regulatory developments and adjust our assessment accordingly. We may make the determination to cease support for a cryptocurrency for any one or a variety of factors based on a totality of the circumstances under our internal policies and procedures. However, a determination by the SEC or a court that a cryptocurrency constitutes a security could also result in our determination that it is advisable to discontinue operations with such cryptocurrency or ones that have similar characteristics to the cryptocurrency that was determined to be a security.

Our internal procedures do not constitute a legal standard or binding on any regulatory body or court, but are rather internal guidelines, which we use to make a risk-based assessment regarding the likelihood that a particular crypto asset could be deemed a "security" under applicable laws. Regardless of our conclusions, we could be subject to legal or regulatory action in the event the SEC, a state or foreign regulatory authority, or a court were to determine that a supported crypto asset is a "security" under applicable laws. There can be no assurances that we will properly characterize over time any given crypto asset or product offering as a security or non-security.

Ethereum has long been treated as a commodity by state and federal regulators, including the Commodity Futures Trading Commission (CFTC). Designating it as a security would have a big impact on crypto markets, drastically changing how (and whether) the currency and others like it are traded in the U.S. We may draw conclusions based on our risk-based assessment regarding the likelihood that a particular crypto asset could be deemed a "security" under applicable laws. Our internal determination of various crypto assets will be impacted by the court determination as well. Despite the SEC being the principal federal securities law regulator in the United States, whether or not an asset is a security under federal securities laws is ultimately determined by a federal court.

With respect to NFTs, we terminated NFTSTAR and MetaGoal operations in 2023 and no longer mints or offers NFTs, or provide any services related to previously minted NFTs. Historically, NFTSTAR has not explicitly restricted U.S. persons from the use of its website and services. However, its legally binding terms and conditions of the use published on its website provides that users are prohibited from accessing or using NFTSTAR services if such use would violate applicable laws of such users. NFTSTAR reserves the right to add and remove any approved regions to its terms and conditions. In 2023, we sold NFTSTAR Singapore Pte. Ltd. and its subsidiaries to an unrelated third party. We no longer operate NFT business.

Online Games

We historically operated and developed proprietary or licensed online games, primarily mobile games, and TV games. In 2024, we pivoted to the online gaming business again.

We previously entered into a master cooperation and publishing agreement with Voodoo, a French game developer and publisher, to cooperate on the publishing and operations of casual games in China. This attempt did not proceed as anticipated as we have transitioned our business focus. We previously also operated mobile games. Knight Forever and Q Jiang San Guo ceased operations in 2019 and Pop Fashion ceased operations in 2020. Legend of Immortals ceased operations in 2021. We used to have license from Smilegate to develop CrossFire New Mobile Game. However, such license expired by October 31, 2020 before we are able to launch CrossFire New Mobile Game. We no longer plan to negotiate with Smilegate to re-gain the license for such game development. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—We and our joint ventures may no longer focus on obtaining licenses to games to expand our gaming business, our future results of operations and profitability may be materially impacted," and "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—We may no longer consider to pursue re-gaining license for CrossFire New Mobile Game, launching or operating CrossFire New Mobile Game or other licensed games in China, and our future results of operations may be materially and adversely affected."

In May 2024, we entered into an exclusive publishing license agreement with Wemade, pursuant to which our wholly owned subsidiary incorporated in Hong Kong, China Crown Technology Limited, will exclusively publish and service the new MIR M game in mainland China, in both mobile and PC version. We have entered into four joint venture agreements under which we agreed to mutually operate various online game-related businesses with each respective joint venture partner. All joint venture partners shall contribute their players/user base to the respective joint venture companies. We have also sublicensed MIR M game for publishing and operations to Shaoxing Jiuyu Network Technology Co., Ltd. and sublicensed certain MIR M game-related rights to the other joint venture companies primarily responsible for marketing and other auxiliary business. See "—Strategic Alliances" for details.

In preparation for the commercial launch of a new game, we conduct "closed beta testing" of the game to resolve operational issues, which is followed by "limited commercial release" and "open beta testing." In both limited commercial release and open beta testing, we allow our registered users to play without removing their in-game data to ensure the performance consistency and stability of our operating systems. While we limit the number of users allowed to play the game in limited commercial release, we do not set such a limit in open beta testing. We can choose to start charging users in limited commercial release or open beta testing or at a later stage at our discretion.

Strategic Alliances

Since the beginning of 2024, we have invested in companies that use AI applications in their business operations.

In March 2024, we signed a definitive share purchase agreement with WM Therapeutic Co., Ltd., or **WM Therapeutic**, to purchase an additional 21.7% of the shares of WM Therapeutic by cash and issuance of our Class A ordinary shares. We had previously acquired 8.3% of the shares of WM Therapeutic in 2021 through one of our then variable interest entities. We will pay cash consideration of US$1.5 million and issue 251,290,500 Class A ordinary shares to WM Therapeutic. The Class A ordinary shares to be issued to WM Therapeutic will be subject to certain lock-up conditions. Upon the completion of this transaction, we will cumulatively own 30% of the shares of WM Therapeutic. We are granted a purchase option to purchase up to 51% of the shares of WM Therapeutic. WM Therapeutic operates digital precision medicine platform for brain disease using generative AI large language model. WM Therapeutic develops brain disease screening platform and digital human personalized psychological consultant, AI precision diagnostic equipment, personalized neuromodulation treatment equipment, generative AI large language model and AI drug clinical research platform. WM Therapeutic leverages AI multi-dimensional omics data analysis technology, original drug discovery technology, brain-computer interface research technology, cohort research on brain diseases, multi-dimensional omics database, brain disease digital targets and digital pathology models and individual characteristics to achieve clinical precision diagnosis and treatment of central nervous system diseases.

In May 2024, we signed a definitive share purchase agreement with Kuaijin Shidai (Xiamen) Technology Co., Ltd., or **KuaiJin**, to purchase 15% of KuaiJin by cash and issuance of our Class A ordinary shares. We are also granted a purchase option to purchase up to 51% of the total shares of KuaiJin. The purchase option is exercisable within two years and will be based on KuaiJin's valuation at US$60 million. KuaiJin provides standardized cost-effective solution to retail stores in China. Within 48 hours, traditional retail stores can be transformed into AI unmanned retail store by installation of KuaiJin hardware and software. The AI unmanned retail stores can be opened 24 hours a day, seven days a week, under the monitor of AI-powered 360-degree surveillance cameras. After such transformation, the payroll cost will be significantly reduced. The chance of getting shoplifting will also be reduced. Profit of the retail stores will be increased accordingly. Due to this clear business model, KuaiJin has already transformed more than 500 retail shops in more than 100 cities in China.

In May 2024, we signed a definitive share purchase agreement with Shenma Limited, or **Shenma**, with the final negotiated terms to purchase 19% shares of Shenma in exchange for cash payment (which has been paid upon signing of a term sheet in March 2024) and issuance of our Class A ordinary shares. The total consideration for the equity stake in Shenma consists of cash consideration of US$1.0 million and issuance of 417,880,500 Class A ordinary shares (equivalent to 1,392,935 ADSs). The Class A ordinary shares to be issued to Shenma will be subject to certain lock-up conditions. Shenma developed and operates Shenma.io, a digital human SaaS platform driven by AI-generated content. The platform has 350,000 registered users, 150,000 short video scripts model library, 9,000 digital human creators and various brand customers. Users can leverage Shenma's proprietary cloning technology and create 1:1 digital human clone character with image and voice. Creators of digital human using Shenma's platform can monetize their products on different social platforms with much lower costs. Shenma's platform also offers video, audio and text automatic replies to enhance the monetization of products.

In June 2024, we signed a definitive share purchase agreement with Wuhan Weixiang Science And Technology Co., Ltd., or WeiXiang, to purchase 19% of WeiXiang by cash and issuance of our Class A ordinary shares. We will pay cash consideration of US$1.5 million and will issue 284,465,400 Class A ordinary shares (equivalent to 948,218 ADSs) to WeiXiang. The Class A ordinary shares to be issued to Weixiang will be subject to certain lock-up conditions. We have also been granted a purchase option to purchase up to 51% of the total shares of WeiXiang based on a valuation calculated as 7 times of WeiXiang's audited annual profit after tax, provided that such valuation should be higher than US$45 million. WeiXiang was founded by Mr. Xu Wang, a pioneer in the educational technology landscape in China who earned several educational awards including the title of 2018 China Education Industry Figure of the Year. Mr. Wang initially gained recognition with proprietary K-12 class management platform YuanDing, which revolutionized classroom management for teachers across China. Under Mr. Wang's leadership, the platform had reached millions of daily active users. In 2020, Mr. Wang founded WeiXiang, aiming to create a localized online school ecosystem powered by short videos and live streaming. WeiXiang leverages popular platforms like TikTok, KuaiShou and WeChat Video Channels, serving as their official ecosystem partner. WeiXiang has amassed over 9 million followers across these platforms. The most popular teacher had engaged over 300,000 simultaneous viewers a single live stream, and had made monthly revenue over RMB10 million. WeiXiang distinguishes itself from traditional live-streaming educational companies through its extensive use of AI applications.

In August 2024, through Shanghai IT, we signed a joint venture agreement with Zhejiang Huanyu to establish a joint venture to operate the mobile and PC versions of the new MIR M game, pursuant to which Zhejiang Huanyu promised to guide its existing MIR and related game users to the joint venture to ensure the smooth operation of MIR M by the joint venture. We promised to grant Zhejiang Huanyu our Class A ordinary shares, which will be unlocked in stages according to Zhejiang Huanyu's commitment to the joint venture's annual business results. This joint venture company, Shaoxing Jiuyu, has obtained the ICP License. Shaoxing Jiuyu has become one of our consolidated subsidiaries to operate the mobile and PC versions of the new MIR game: MIR M, in which we hold a 51% stake and Zhejiang Huanyu holds a 49% stake. Zhejiang Huanyu committed that the joint venture will have a game revenue of at least RMB900 million (approximately US$126 million) and a profit of RMB300 million (approximately US$42 million) in 2025, and that the game revenue and profit will increase by at least 30% annually in 2026 and 2027. All after-tax profits of that joint venture will be distributed as dividends every quarter according to the shareholding ratio of the joint venture partners.

In October 2024, Shanghai IT signed a joint venture agreement with ShaoXing TongZe Network Technology Co., Ltd. ("TongZe"), an AI algorithms and big data marketing service provider in China. We hold a 51% stake and TongZe holds a 49% stake in the joint venture. The joint venture has become one of our consolidated subsidiaries to operate AI algorithms and big data marketing business, and is expected to provide marketing solutions to our upcoming MIR M game. Pursuant to the agreement, TongZe committed that it will utilize its AI algorithms and big data to reach more than 100 million relevant pan-MIR tag users and more than 30 million paid MIR users. It also committed to us that this joint venture will have an annual profit of more than RMB100 million (approximately US$14 million) in 2025. All after-tax profits of this joint venture will be distributed as dividends every quarter according to the shareholding ratio of the joint venture partners.

In November 2024, we entered into a strategic partnership with NIP Group Inc. to develop MIR M into a competitive esports title, by creating a game that embodies the characteristics of MIR M and is suitable for esports adoption. In addition, we will build a highly commercialized tournament ecosystem centered around the game and provide extensive support for its global promotion.

In December 2024, Shanghai IT signed a joint venture agreement with Shenzhen JiTuo Interactive Technology Co., Ltd. ("JiTuo"), an AI algorithms mobile advertising company in China. JiTuo is a game development partner with AppLovin Corporation (Nasdaq: APP) in China. It is also an agency partner for Apple Search Ads in China. We hold a 51% stake and JiTuo holds a 49% stake in the joint venture. The joint venture will become one of our consolidated subsidiaries to operate AI algorithms mobile advertising business, and is expected to provide marketing solutions to our upcoming new games, including MIR M. Pursuant to the agreement, JiTuo committed that it will utilize its advertising AI model and data algorithm system to assist our upcoming new games in optimizing advertising placement materials to enhance the conversion rate and accuracy of advertisements; optimizing the display effect and keywords in the app store to increase the conversion rate of app downloads and acquiring natural traffic. It also committed to us that the joint venture will have an annual profit of more than RMB20 million (approximately US$2.8 million) in 2025, with profit increasing by at least 50% annually in 2026 and 2027. All after-tax profits of the joint venture will be distributed as dividends every quarter according to the shareholding ratio of the joint venture partners.

In February 2025, Shanghai IT signed a joint venture agreement with Chengdu Qing Cheng Network Science and Technology Co., Ltd. ("Qing Cheng"), a leading mobile game operation and distribution company focusing on serving gamers in China's sinking market. We hold a 51% stake and Qing Cheng holds a 49% stake in the joint venture. The joint venture is expected to become our flagship subsidiary to operate and distribute mobile games in China's sinking market. Qing Cheng committed that it will utilize its monopolistic and unique distribution channel advantages in the sinking markets to operate different mobile games for the joint venture. Qing Cheng will also utilize its strategic game development partners to ensure the joint venture will get a continuous supply of high-quality games suitable to the lower-tier markets. Qing Cheng committed to us that the joint venture will have an annual profit of more than RMB80 million (approximately US$11 million) in 2025, with profit increasing by at least 50% annually in 2026 and 2027. All after-tax profits of the joint venture will be distributed as dividends every quarter according to the shareholding ratio of the joint venture partners.

Technology

We maintain in-house servers to maintain internal technology networks, we utilize third-party cloud solutions to sustain our existing games and web-site operations. Our current technology infrastructure consists of hardware platform and server sites primarily consisting of IBM storage systems, HP, H3C and Cisco network equipment.

Competition

Our competitors include many well-known domestic and international players. We expect that competition in cryptocurrency mining industry will continue to be intense as we compete not only with existing players that have been focused on cryptocurrency mining, but also new entrants that include well-established players in internet industry, and players who were not predisposed to this industry in the past. Some of these competitors may also have stronger brand names, greater access to capital, longer histories, longer relationships with their suppliers or customers and more resources than we do. Competition among the top companies engaging in cryptocurrency mining business, such as Marathon Digital Holdings, Inc., Riot Blockchain, Inc. and Bit Digital, Inc., has increased in recent years. All cryptocurrency mining companies compete for sourcing mining machines at reasonable prices and securing stable and cheap energy supply. In addition, cloud mining is gaining popularity outside of Chinese market, which increases the demand for mining machines. The statistical fact that there are more Bitcoin currently stored in electronic wallets than Bitcoin remains to be mined may further exacerbate overall competition in the cryptocurrency industry. For a discussion of risks relating to competition, see "Risk Factors—Risks Related to Our Company and Our Industry—New lines of business or new products and services may subject us to additional risks." and "Risk Factors—Risks Related to Our Company and Our Industry—We may not be able to recover our market share and profitability as we operate in a highly competitive industry with numerous competitors."

Intellectual Property

Our intellectual property rights include trademarks and domain names associated with the name "The9" in China and copyright and other rights associated with our websites, technology platform, self-developed software and other aspects of our business. We regard our intellectual property rights as critical to our business. We rely on trademark and copyright law, trade secret protection, non-competition and confidentiality agreements with our employees, and license agreements with our partners, to protect our intellectual property rights. We require our employees to enter into agreements requiring them to keep confidential all information relating to our customers, methods, business and trade secrets during and after their employment with us and assign their inventions developed during their employment to us. Our employees are required to acknowledge and recognize that all inventions, trade secrets, works of authorship, developments and other processes made by them during their employment are our property.

We have registered our domain names with third-party domain registration entities, and have legal rights over these domain names through Shanghai IT, the variable interest entity. We conduct our business under the "The9 Limited" brand name and "**The9**" logo.

Legal Proceedings

See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings."

Government Regulations

Regulations on Cryptocurrency

On September, 2021, eleven ministries and commissions including the National Development and Reform Commission, the Publicity Department of the CPC Central Committee, the Office of the Central Cyberspace Affairs Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Finance, the People's Bank of China, the State Taxation Administration, the State Administration for Market Regulation, the China Banking and Insurance Regulatory Commission and the National Energy Administration issued the "**Notice on the regulation of virtual currency mining activities**", which requires strengthening the supervision of the whole industry chain of upstream and downstream virtual currency mining activities, strictly prohibiting new virtual currency mining projects, and accelerating the orderly withdrawal of the stock of projects.

On September, 2021, ten ministries and commissions including the People's Bank of China, the Office of the Central Cyberspace Affairs Commission, the Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Industry and Information Technology, the Ministry of Public Security, the State Administration for Market Regulation, the China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and the State Administration of Foreign Exchange issued "**Notice on Further Preventing and Resolving the Risks of Virtual Currency Trading and Speculation**", which made it clear once again that virtual currencies do not have the same legal status as legal currency, and virtual currency-related activities are illegal financial activities. Provision of services by overseas virtual currency exchanges to residents in China via the internet is also considered to be an illegal financial activity. It is aiming to establish a multi-dimensional and multi-level risk prevention and resolution system. Subject to the new regulations, it is forbidden to invest in incremental projects and to develop virtual currency mining projects in any name.

As we do not engage in operations as a financial institution or payment institution, we do not believe we are currently subject to such regulations. However, there can be no assurance that there will not be future regulations that may be applicable to us. See "Item 3. Key Information—D. Risk Factors— Risks Related to Our Company and Our Industry—We are subject to risks arising from legal, political or other conditions or developments regarding holding, using or mining of cryptocurrencies, which could negatively affect our business, results of operations and financial position."

Regulations on Foreign Investment

Investment activities in the Chinese mainland by foreign investors are principally governed by The Special Administrative Measures on Access of Foreign Investment (Negative List), as amended from time to time, and the Catalogue of Industries for Encouraging Foreign Investment (2022 Version), or the Encouraging Catalogue, which were promulgated by the National Development and Reform Commission, and the Ministry of Commerce on October 26, 2022 and became effective on January 1, 2023.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which came into effect on January 1, 2020 and replaced the previous FIE Laws. The Foreign Investment Law embodies an expected regulatory trend in the Chinese mainland to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Foreign Investment Law, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition.

According to the Foreign Investment Law, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list." The Foreign Investment Law provides that foreign invested entities operating in foreign "restricted" or "prohibited" industries will require entry clearance and other approvals. In addition, the Foreign Investment Law does not comment on the concept of "de facto control" or contractual arrangements with variable interest entity, however, it has a catch-all provision under definition of "foreign investment" to include investments made by foreign investors in the Chinese mainland through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment. See "Item 3. Key Information—D. Risk Factors—Our current corporate structure and business operations may be affected by the Foreign Investment Law."

The Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in the Chinese mainland, including, among other things, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited, allows foreign investors' funds to be freely transferred out and into the territory of the Chinese mainland, which run through the entire lifecycle from the entry to the exit of foreign investment, and provide an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. In addition, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. Furthermore, the Foreign Investment Law provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the Foreign Investment Law, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law and other laws and regulations governing the corporate governance.

Current laws and regulations of the Chinese mainland impose substantial restrictions on foreign ownership of the online gaming and ICP businesses in the Chinese mainland. We previously conducted our online gaming and ICP businesses in the Chinese mainland through contractual arrangements with Shanghai IT, the variable interest entity. Shanghai IT is owned by Qi Wang and Wei Ji, both of whom are citizens of the Chinese mainland.

In the opinion of our PRC counsel, Grandall Law Firm, subject to the interpretation and implementation of the GAPP Circular and the Administrative Measures on Network Publication, the ownership structure and the business operation models of our Chinese mainland subsidiaries and the variable interest entity comply with all applicable laws, rules and regulations of the Chinese mainland, and no consent, approval or license is required under any of the existing laws and regulations of the Chinese mainland for their ownership structure and business operation models except for those which we have already obtained or which would not have a material adverse effect on our business or operations as a whole. Furthermore, as advised by Grandall Law Firm, our PRC legal counsel, under current laws, regulations and regulatory rules in the Chinese mainland currently in effect, as of the date of this annual report, we, our Chinese mainland subsidiaries and the consolidated variable interest entity (i) are not required to fulfill filing procedures and obtain approval from the China Securities Regulatory Commission, or the **CSRC**, immediately as an offshore listing company, but need to file accordingly if we conduct further offshore offerings, (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China, or the **CAC**, and (iii) have not been asked to obtain or were denied such permissions by the CSRC or the CAC, and (iv) have not been required to apply for, nor have we been denied, any permission or approval from any other PRC government authority. There are, however, substantial uncertainties regarding the interpretation and application of current or future laws and regulations of the Chinese mainland. Accordingly, it is uncertain that the PRC government authorities will ultimately take a view that is consistent with the opinion of our PRC counsel.

In the online game industry in the Chinese mainland, new laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have, and address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future laws and regulations of the Chinese mainland applicable to the online games industry. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The laws and regulations governing the online game industry in the Chinese mainland are developing and subject to future changes. If we fail to obtain or maintain all applicable permits and approvals, our business and operations could be materially and adversely affected."

Regulations on Internet Content Provision Service, Online Gaming and Internet Publishing

Our provision of online game-related content on our websites is subject to various laws and regulations of the Chinese mainland relating to the telecommunications industry, internet and online gaming, and is regulated by various government authorities, including the MIIT, the Ministry of Culture and the Tourism, the GAPPRFT and the State Administration for Market Regulation. The principal regulations of the Chinese mainland governing the ICP industry as well as the online gaming services in the Chinese mainland include:

- Telecommunications Regulations (2000), as amended in 2014 and 2016;
- The Administrative Rules for Foreign Investments in Telecommunications Enterprises (2001), as amended in 2008 and 2016 and further amended in 2022;
- The Administrative Measures for Telecommunications Business Operating License (2017);
- The Administrative Measures for Internet Information Services (2000), as amended in 2011 and further amended in 2024;
- The Tentative Measures for Administration of Internet Culture (2003), as amended and reissued in 2011 and further amended in 2017;
- Administrative Measures on Network Publication (2016);
- The Catalogue of Industries for Encouraging Foreign Investment (Edition 2022);
- The Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2024); and
- Provisions on the Ecological Governance of Network Information Contents (2020).

Under these regulations, a foreign investor is currently prohibited from owning more than 50% of the equity interest in an entity in the Chinese mainland that provides value-added telecommunications services (except for e-commerce services). ICP services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain an ICP License from the appropriate telecommunications authorities in order to carry on any commercial ICP operations in the Chinese mainland.

In February 2016, the GAPPRFT and the MIIT jointly issued the Administrative Measures on Network Publication, which took effect in March 2016. The Administrative Measures on Network Publication further strengthen and expand the supervision and management on the network publication service, including online games service. Therefore, online games, including mobile games, regardless of whether imported or domestic, shall be subject to a content review and approval by the GAPPRFT prior to commencement of operations in the Chinese mainland.

The GAPPRFT and the MIIT jointly impose a license requirement for any company that intends to engage in network publishing, defined as any activity of providing network publications to the public through information networks. Network publications refer to the digitalized works with publishing features such as editing, producing and processing. Furthermore, the distribution of online game cards and CD-keys for online gaming programs is subject to a licensing requirement. Shanghai IT holds the license necessary to distribute electronic publications, which allows it to distribute prepaid cards and CD-Keys for the games we operate. We sell our prepaid cards and CD-Keys through third-party distributors, which are responsible for maintaining requisite licenses for distributing our prepaid cards and CD Keys in the Chinese mainland.

In September 2009, the GAPP further promulgated the GAPP Circular, which provides that foreign investors are prohibited from making investment and engaging in online game operation services by setting up foreign-invested enterprises in the Chinese mainland. Further, foreign investors shall not control and participate in online game operation businesses in the Chinese mainland indirectly or in a disguised manner by establishing joint venture companies or entering into agreements with or providing technical support to such online game operation companies in the Chinese mainland, or by inputting the users' registration, account management, game cards consumption directly into the interconnected gaming platform or fighting platform controlled or owned by the foreign investor. In addition, on February 4, 2016, the GAPPRFT and the MIIT jointly issued the Administrative Measures on Network Publication, which took effect in March 2016. Pursuant to the Administrative Measures on Network Publication, wholly foreign-owned enterprises, Sino-foreign equity joint ventures and Sino-foreign cooperative enterprises shall not engage in the provision of web publishing services, including online game services. Project cooperation involving internet publishing services between an internet publishing service provider and a wholly foreign-owned enterprise, Sino-foreign equity joint venture, or Sino-foreign cooperative enterprise within the Chinese mainland or an overseas organization or individual shall be subject to prior examination and approval by the GAPPRFT. It is not clear whether the GAPPRFT and the MIIT have regulatory authority over the ownership structures of online game companies based in the Chinese mainland and online game operation in the Chinese mainland. The governmental authorities have broad discretion in adopting one or more of administrative measures against companies now in compliance with these measures, including revoking licenses and registration. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Laws and regulations of the Chinese mainland restrict foreign ownership of internet content provision, internet culture operation and internet publishing licenses, and substantial uncertainties exist with respect to the application and implementation of laws and regulations of the Chinese mainland."

Regulations on Internet Content

The PRC government has promulgated measures relating to internet content through a number of ministries and agencies, including the MIIT, the Ministry of Culture and the Tourism and the GAPPRFT. These measures specifically prohibit internet activities, including the operation of online games that result in the publication of any content which is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise State security or secrets. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The laws and regulations governing the online game industry in the Chinese mainland are developing and subject to future changes. If we fail to obtain or maintain all applicable permits and approvals, our business and operations could be materially and adversely affected." If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

On February 5, 2013, the Ministry of Culture, the MIIT, the GAPP and various other governmental authorities, jointly issued the Working Plan on the Comprehensive Prevention Scheme on Online Game Addiction of Minors, which strengthened the administration of the internet cafés, reinstated the importance of the "anti-fatigue system" and "**Online Game Parents Guardianship Project for Minors**" as prevention measures against the online game addiction of minors and ordered the governmental authorities to take all necessary actions in implementing such measures. Additional requirements for anti-fatigue and identification systems in our games, as well as the implementation of any other measures required by any new regulations the PRC government may enact to further tighten its administration of the internet and online games, and its supervision of internet cafés, may limit or slow down our prospects for growth, or may materially and adversely affect our business results. On October 20, 2021, various governmental authorities, including the Ministry of Education, the Ministry of Public Security, and other authorities jointly issued a circular on further strengthening the prevention of minors addicted to online games, which further demanded that online game companies should ensure that the content of online game products is good, healthy and clean. At the same time, the pre-approval system for online games should be strictly implemented, and games without approval should not be put into operation. This circular required all online games to incorporate an "anti-fatigue system" and an identity verification system, both of which have limited the amount of time that a minor may continually spend playing an online game at a particular time. We have implemented such "anti-fatigue" and identification systems on all of our online games as required. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Our business may be adversely affected by public opinion and government policies in China."

The Ministry of Public Security has promulgated measures that prohibit the use of the internet in ways which, among other things, results in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection rights in this regard, and we may be subject to the jurisdiction of the local security bureaus. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Regulation and censorship of information disseminated over the internet in the Chinese mainland may adversely affect our business, and we may be liable for information displayed on, retrieved from, or linked to our internet websites." If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

Regulations on Internet Information Security

Internet information in the Chinese mainland is also regulated and restricted from a national security standpoint. In November 2016, the Standing Committee of National People's Congress promulgated the Cyber Security Law of the PRC taken into effect in June 2017, which established a regulatory system with respect to the construction, operation, maintenance and use of internet and set forth provisions on the supervision and administration of cyber security within the territory of the Chinese mainland. If an internet information service provider violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

In December 2015, the Standing Committee of the National People's Congress promulgated the Anti-Terrorism Law of the PRC, which took effect on January 1, 2016 and was amended on April 27, 2018. According to the Anti-Terrorism Law of the PRC, telecommunication service operators or internet service providers shall (i) carry out pertinent anti-terrorism publicity and education to society; (ii) provide technical interfaces, decryption and other technical support and assistance for the competent departments to prevent and investigate terrorist activities; (iii) implement network security and information monitoring systems as well as safety and technical prevention measures to avoid the dissemination of terrorism information, delete the terrorism information, immediately halt its dissemination, keep records and report to the competent departments once the terrorism information is discovered; and (iv) examine customer identities before providing services. Any violation of the Anti-Terrorism Law of the PRC may result in severe penalties, including substantial fines.

In November 2016, the Standing Committee of the National People's Congress promulgated the Cyber Security Law of the PRC, which took effect on June 1, 2017. Pursuant to the Cyber Security Law of the PRC, network operators shall perform their cybersecurity obligations according to the requirements of the classified protection system for cybersecurity, including: (a) formulating internal security management systems and operating instructions, determining the persons responsible for cybersecurity, and implementing the responsibility for cybersecurity protection; (b) taking technological measures to prevent computer viruses, network attacks, network intrusions and other actions endangering cybersecurity; (c) taking technological measures to monitor and record the network operation status and cybersecurity incidents; (d) taking measures such as data classification, and back-up and encryption of important data; and (e) other obligations stipulated by laws and administrative regulations. In addition, network operators shall comply with the principles of legitimacy to collect and use personal information and disclose their rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered.

For the further purposes of regulating data processing activities, safeguarding data security, promoting data development and utilization, protecting the lawful rights and interests of individuals and organizations, and maintaining national sovereignty, security, and development interests, on June 10, 2021, Standing Committee of the PRC National People's Congress published the Data Security Law of the People's Republic of China, which took effect on September 1, 2021. The Data Security Law requires data processing, which includes the collection, storage, use, processing, transmission, provision, publication of data, to be conducted in a legitimate and proper manner. Moreover, the Data Security Law provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information. In addition, the Data Security Law also provides that any organization or individual within the territory of the Chinese mainland shall not provide any foreign judicial body and law enforcement body with any data without the approval of the competent PRC governmental authorities. Since the Data Security Law has already taken effect, we may be required to make further adjustments to our business practices to comply with this law.

On July 6, 2021, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities, which, among other things, provides for improving the laws and regulations on data security, cross-border data transmission, and confidential information management. It provided that efforts will be made to revise the regulations on strengthening the confidentiality and file management relating to the offering and listing of securities overseas, to implement the responsibility on information security of overseas listed companies, and to strengthen the standardized management of cross-border information provision mechanisms and procedures.

In order to ensure the supply chain security of critical information infrastructure, safeguard network security and data security and maintain national security, the National Internet Information Office and other 13 departments jointly issued Measures for Cybersecurity Review (2021) on December 28,2021 and which has taken effect on February 15, 2022. These measures mainly stipulate the filing procedures and subjects for the cybersecurity review.

On September 24, 2024, the State Council promulgated the Regulation on Network Data Security Management, which took effect on January 1, 2025. This regulation applies to network data handling activities and the supervision and administration of security thereof carried out within the territory of the PRC. This Regulation also applies to the activities outside the territory of the PRC to handle the personal information of natural persons within the territory of the PRC, which conform to the following circumstances prescribed in the second paragraph of Article 3 of the Law of the PRC on the Protection of Personal Information, including: (i) where the purpose is to provide domestic natural persons with products or services; (ii) where the activities of domestic natural persons are analyzed and evaluated; and (iii) other circumstances as prescribed by laws and administrative regulations. Besides, where network data processors carry out network data processing activities that affect or may affect national security, they shall carry out a national security review in accordance with relevant national regulations. This regulation also stipulates network data processors may transmit personal information abroad if it meets any of the certain conditions, such as having passed the security assessment for data cross-border transmission organized by the state cyberspace administration, or having been certified by a specialized agency in respect of the protection of personal information in accordance with the provisions of the state cyberspace administration, or meeting the provisions on standard contract for cross-border transmission of personal information as developed by the state cyberspace administration etcs. Therefore, we may be subject to review when conducting data processing activities and data security assessment and may face challenges in addressing its requirements and make necessary changes to our internal policies and practices in data processing. Based on the foregoing, our PRC legal counsel does not expect that, as of the date of this annual report, the current applicable laws of the Chinese mainland on cybersecurity would have a material adverse impact on our business.

On August 20, 2021, the Standing Committee of the National People's Congress of China promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. The Personal Information Protection Law requires, among other things, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose and should be conducted in a method that has the minimum impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope as necessary to achieve the processing purpose and avoid the excessive collection of personal information. Personal information processors shall adopt necessary measures to safeguard the security of the personal information they handle. The offending entities could be ordered to correct, or to suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the legislation regarding the protection of state secrets during online information distribution. Specifically, internet companies in the Chinese mainland with bulletin boards, chat rooms or similar services must apply for specific approval prior to operating such services.

Furthermore, the Provisions on Technological Measures for Internet Security Protection, promulgated by the Ministry of Public Security and became effective in March 2006, require all ICP operators to keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. The Decision on Strengthening Network Information Protection, which was promulgated by the PRC National People's Congress in December 2012, states that ICP operators must request identity information from users when ICP operators provide information publication services to the users. If ICP operators come across prohibited information, they must immediately cease the transmission of such information, delete the information, keep records, and report to government authorities.

Regulations on Privacy Protection

Laws and regulations of the Chinese mainland prohibit internet content providers from collecting and analyzing personal information from their users without user's prior consent. We require our users to accept a user agreement whereby they agree to provide certain personal information to us. In addition, laws of the Chinese mainland prohibit internet content providers from disclosing to any third parties any information transmitted by users through their networks unless otherwise permitted by law. If an internet content provider violates these regulations, it may be liable for damages caused to its users and it may be subject to administrative penalties such as warnings, fines, confiscation of its unlawful income, revocation of licenses, cancellation of filings, shutdown of their websites or even criminal liabilities.

According to the Provisions on Protection of Personal Information of Telecommunication and Internet Users, which was promulgated by the MIIT and became effective in September 2013, telecommunication business operators and ICP operators are responsible for the security of the personal information of users they collect or use in the course of their provision of services. Without obtaining the consent from the users, telecommunication business operators and ICP operators may not collect or use the users' personal information. The personal information collected or used in the course of provision of services by the telecommunication business operators or ICP operators must be kept in strict confidence, and may not be divulged, tampered with or damaged, and may not be sold or illegally provided to others. The ICP operators are required to take certain measures to prevent any divulgence of, damage to, tampering with or loss of users' personal information. In accordance with the Cyber Security Law, network operators are required to collect and use personal information in compliance with the principles of legitimacy, properness and necessity, and strictly within the scope of authorization by the subject of personal information unless otherwise prescribed by laws or regulations. In the event of any unauthorized disclosure, damage or loss of collected personal information, network operators must take immediate remedial measures, notify the affected users and report the incidents to the authorities in a timely manner. If any user knows that a network operator illegally collects and uses his or her personal information in violation of laws, regulations or any agreement with the user, or the collected and stored personal information is inaccurate or wrong, the user has the right to request the network operator to delete or correct the collected personal information.

The telecommunications authorities are further authorized to order ICP operators to rectify unauthorized disclosure. ICP operators are subject to legal liability, including warnings, fines, confiscation of illegal gains, revocation of licenses or filings, closing of websites, administrative punishment, criminal liabilities, or civil liabilities, if they violate the provisions on internet privacy. Pursuant to the Ninth Amendment to the Criminal Law issued by the Standing Committee of the National People's Congress in August 2015 and becoming effective in November 2015, the standards of crime of infringing citizens' personal information were amended accordingly and the criminal culpability of unlawful collection, transaction, and provision of personal information has been reinforced. In addition, any ICP provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, will be subject to criminal liability for (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of the client's information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (x) sells or provides personal information to others unlawfully, or (y) steals or illegally obtains any personal information, will be subject to criminal liability in severe situations. In addition, the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate of the PRC on Several Issues Concerning the Application of Law in Handling Criminal Cases of Infringing Personal Information, effective in June 2017, have clarified certain standards for the conviction and sentencing in relation to personal information infringement. The PRC government has the power and authority to order ICP operators to turn over personal information if an internet user posts any prohibited content or engages in illegal activities on the internet. The Civil Code further provides in a stand-alone chapter of right of personality and reiterate that the personal information of a natural person shall be protected by the law. Any organization or individual shall legitimately obtain such personal information of others in due course on a need-to-know basis and ensure the safety and privacy of such information, and refrain from excessively handling or using such information.

With respect to the security of information collected and used by mobile apps, pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps, which was issued on January 23, 2019, app operators should collect and use personal information in compliance with the Cyber Security Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the personal information protection. Furthermore, app operators should not force their users to make authorization by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of Apps Infringing upon User's Personal Rights and Interests, which was issued by the MIIT on October 31, 2019. On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information. This regulation further illustrates certain commonly seen illegal practices of apps operators in terms of personal information protection, including "failure to publicize rules for collecting and using personal information", "failure to expressly state the purpose, manner and scope of collecting and using personal information", "collection and use of personal information without consent of users of such App", "collecting personal information irrelevant to the services provided by such app in violation of the principle of necessity", "provision of personal information to others without users' consent", "failure to provide the function of deleting or correcting personal information as required by laws" and "failure to publish information such as methods for complaints and reporting".

On August 22, 2019, the CAC promulgated the Children Information Protection Provisions, which took effect on October 1, 2019, requiring that before collecting, using, transferring or disclosing the personal information of a child, the internet service operator should inform the child's guardians in a noticeable and clear manner and obtain their consents. Meanwhile, internet service operators should take measures like encryption when storing children's personal information. On March 12, 2021, the CAC and three other authorities jointly issued the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications. The Rules specifies the scope of necessary personal information to be collected each for a variety of common mobile internet applications, such as maps and navigation apps, online ride-hailing apps, instant messaging apps, online community apps. Operators of such apps shall not refuse to provide basic services to users on the ground of users' refusal to provide their personal non-essential information. On April 26, 2021, the MIIT issued the Interim Administrative Provisions on Personal Information Protection in Internet Mobile Applications (Draft for Comment). The draft of the Interim Administrative Provisions on Personal Information Protection in Internet Mobile Applications sets forth two principles of collection and utilization of personal information, namely "explicit consent" and "minimum necessity."

On June 24, 2022, the National Information Security Standardization Technical Committee issued the Notice on the Practice Guideline for Network Security Standards - Safety Certification Specifications for Personal Information Cross-border Processing Activities. In order to implement the requirements of the Personal Information Protection Law on the establishment of a personal information protection certification system and to guide personal information processors to standardize the cross-border processing activities of personal information, the Practice Guideline puts forward the basic principles for the safety of cross-border processing activities of personal information and stipulates the basic requirements for cross-border processing activities of personal information and the requirements for the protection of the rights and interests of personal information subjects. The Practice Guideline states that both the personal information processor and the overseas recipient who conducts cross-border processing of personal information shall designate the person in charge of personal information protection. Both the personal information processor and the overseas recipient who conducts cross-border processing activities of personal information shall establish a personal information protection agency to fulfill its personal information protection obligations and prevent unauthorized access and leakage, falsification and loss of personal information, and in the cross-border processing of personal information activities, the following responsibilities shall be assumed in the cross-border processing of personal information: a) developing and implementing plans for cross-border processing activities of personal information in accordance with the law; b) organizing impact assessments of personal information protection; c) supervising the organization's handling of cross-border personal information in accordance with the rules for cross-border handling of personal information agreed between the processor and the overseas recipient; d) receiving and handling requests and complaints from subjects of personal information.

Import Regulations

Our ability to obtain licenses for online games from abroad and import them into the Chinese mainland is regulated in several ways. We are required to register with the Ministry of Commerce any license agreement with a foreign licensor that involves an import of technologies, including online game software into the Chinese mainland. Without that registration, we may not remit licensing fees out of the Chinese mainland to any foreign game licensor. In addition, the Ministry of Culture and the Tourism requires us to submit for its content review and/or approval any online games we want to license from overseas game developers or any patch or updates for such game if it contains substantial changes. If we license and operate games without that approval, the Ministry of Culture and the Tourism may impose penalties on us. Also, pursuant to a jointly issued notice in July 2004, the GAPP and the State Copyright Bureau require us to obtain their approval for imported online game publications. Furthermore, the State Copyright Bureau requires us to register copyright license agreements relating to imported software. Without the State Copyright Bureau registration, we cannot remit licensing fees out of the Chinese mainland to game licensor in other jurisdictions and we are not allowed to publish or reproduce the imported game software in the Chinese mainland.

Regulations on Intellectual Property Rights

The State Council and the State Copyright Bureau have promulgated various regulations and rules relating to the protection of software in the Chinese mainland. Under these regulations and rules, software owners, licensees and transferees may register their rights in software with the State Copyright Bureau or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under laws of the Chinese mainland, software owners, licensees and transferees are encouraged to go through the registration process and registered software rights may receive better protection. We have registered most of our in-house developed online games with the State Copyright Bureau.

Regulations on Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange. Foreign currency exchange regulation in the Chinese mainland is primarily governed by the following rules:

- Foreign Exchange Administration Rules (1996), as amended in 1997 and 2008; and
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996).

Pursuant to the Foreign Exchange Administration Rules (1996), as amended in 1997 and 2008, the RMB is generally freely convertible for trade and service-related foreign exchange transactions, but not for direct investment, loans, investment in securities, or other transactions through a capital account outside of the Chinese mainland unless the prior approval of SAFE or authorized banks is obtained. Furthermore, foreign investment enterprises in the Chinese mainland in general may purchase foreign exchange without the approval of SAFE or authorized banks for trade and service-related foreign exchange transactions by providing commercial documents evidencing these transactions. Foreign investment enterprises that need foreign exchange for the distribution of profits to their shareholders may effect payment from their foreign exchange account or purchase and pay foreign exchange at the designated foreign exchange banks to their foreign shareholders by producing board resolutions for such profit distribution. Under the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), based on their needs, foreign investment enterprises are permitted to open foreign exchange settlement accounts for current account receipts and payments of foreign exchange along with specialized accounts for capital account receipts and payments of foreign exchange at certain designated foreign exchange banks.

On November 19, 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, or the SAFE Circular 59, which became effective on December 17, 2012 and was amended on May 4, 2015 and October 10, 2018 and was partly repealed on December 30, 2019. The major developments under the SAFE Circular 59 were that the opening of various special purpose foreign exchange accounts (e.g., pre-establishment expenses account, foreign exchange capital account, guarantee account) no longer required the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of the SAFE Circular 59. Reinvestment of RMB proceeds by foreign investors in the Chinese mainland no longer required SAFE approval or verification, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer required SAFE approval.

On May 10, 2013, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents, as amended on October 10, 2018 and partly repealed on December 30, 2019, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the Chinese mainland shall be based on registration. Institutions and individuals shall register with SAFE and/or its branches for their direct investment in the Chinese mainland. Banks shall process foreign exchange business relating to the direct investment in the Chinese mainland based on the registration information provided by SAFE and its branches.

On February 13, 2015, SAFE issued the Circular on Further Simplifying and Improving the Foreign Exchange Administration Policies on Direct Investments, or the SAFE Circular 13, which took effect on June 1, 2015, and was partly repealed on December 30, 2019. Pursuant to the SAFE Circular 13, the administrative examination and approval procedures with SAFE or its local branches relating to the foreign exchange registration approval for domestic direct investments as well as overseas direct investments have been canceled, and qualified banks are delegated the power to directly conduct such foreign exchange registrations under the supervision of SAFE or its local branches.

On April 26, 2016, SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting Trade and Investment Facility and Improving the Examination and Verification of the Authenticity, pursuant to which when handling the remittance of profits exceeding the equivalent of US$50,000 abroad for a domestic institution, a bank should examine the authenticity of the transaction by reviewing related corporate approvals, tax filing record and other materials.

On June 9, 2016, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or the SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-affiliated enterprises.

Dividend Distribution. The principal regulations governing distribution of dividends of foreign holding companies include:

- The Company Law of People's Republic of China;
- Foreign Investment Law (2019); and
- Implementation Regulations for the Foreign Investment Law (2019).

Under these regulations, foreign investment enterprises in the Chinese mainland may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign investment enterprises in the Chinese mainland are required to allocate at least 10% of their respective profits each year, if any, to fund certain reserve funds until the cumulative total of the allocated reserve funds reaches 50% of an enterprise's registered capital and a portion of their respective after-tax profits to their staff welfare and bonus reserve funds as determined by their respective board of directors or shareholders. These reserves are not distributable as dividends.

Regulations on Foreign Exchange in Certain Onshore and Offshore Transactions

On July 4, 2014, SAFE issued the SAFE Circular 37, which is the Circular on Several Issues Concerning Foreign Exchange Administration of Domestic Residents Engaging in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles. The SAFE Circular 37 and its detailed guidelines require residents of the Chinese mainland to register with the local branch of SAFE before contributing their legally owned onshore or offshore assets or equity interest into any SPV directly established, or indirectly controlled, by them for the purpose of investment or financing. In addition, when there is (a) any change to the basic information of the SPV, such as any change relating to its individual resident shareholders of the Chinese mainland, name or operation period or (b) any material change, such as increase or decrease in the share capital held by its individual resident shareholders of the Chinese mainland, a share transfer or exchange of the shares in the SPV, or a merger or split of the SPV, the resident of the Chinese mainland must register such changes with the local branch of SAFE on a timely basis. According to the SAFE rules, failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the onshore companies of SPVs, including the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from such offshore entity, and may also subject residents of the Chinese mainland and onshore companies to penalties under foreign exchange administration regulations of the Chinese mainland. Further, failure to comply with various SAFE registration requirements described above would result in liability for foreign exchange evasion under laws of the Chinese mainland. On February 13, 2015, SAFE issued the SAFE Circular 13, which is the Circular on Further Simplifying and Improving the Foreign Exchange Administration Policies on Direct Investments, which took effect on June 1, 2015 and was partly repealed on December 30, 2019. Under the SAFE Circular 13, qualified banks are delegated the power to register all Chinese mainland residents' investments in SPVs pursuant to the SAFE Circular 37, saving for supplementary registration application made by residents of the Chinese mainland who failed to comply with the SAFE Circular 37, which shall still fall into the jurisdiction of the local branch of SAFE.

As a result of the uncertainties relating to the interpretation and implementation of the SAFE Circular 37 and other regulations of SAFE, we cannot predict how these regulations will affect our business operations or strategies. For example, the ability of our present or future Chinese mainland subsidiaries to conduct foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, may be subject to compliance with such SAFE registration requirements by residents of the Chinese mainland, over whom we have no control. In addition, we cannot assure you that any such Chinese mainland residents will be able to complete the necessary approval and registration procedures required by the SAFE regulations. We have requested all of our shareholders who, based on our knowledge, are residents of the Chinese mainland or whose ultimate beneficial owners are residents of the Chinese mainland to comply with all applicable SAFE registration requirements, but we have no control over our shareholders. We cannot assure you that the beneficial owners in the Chinese mainland of our company and our subsidiaries have completed the required SAFE registrations. Nor can we assure you that they will be in full compliance with the SAFE registration in the future. Any non-compliance by the beneficial owners in the Chinese mainland of our company and our subsidiaries may subject us or such resident shareholders of the Chinese mainland to fines and other penalties. It may also limit our ability to contribute additional capitals to our Chinese mainland subsidiaries and our subsidiaries' ability to distribute profits or make other payments to us.

Regulations Relating to Overseas Listing and M&A

On August 8, 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the **M&A Rules**, a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and revised on June 22, 2009. Foreign investors shall comply with the M&A rules when they purchase equity interests of a domestic company or subscribe for the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign- invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the Chinese mainland for the purpose of purchasing the assets of a domestic company and operating the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A rules, among other things, purports to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by companies or individuals in the Chinese mainland, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

On July 6, 2021, the PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by PRC-based companies and proposed to take effective measures, such as promoting the construction of regulatory systems to deal with the risks and incidents faced by PRC-based overseas-listed companies.

On September 6, 2024, the National Development and Reform Commission and the Ministry of Commerce jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Version), or the 2024 Negative List, which came into effect on November 1, 2024. Pursuant to such Special Administrative Measures, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company's operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the regulations on the domestic securities investments by foreign investors.

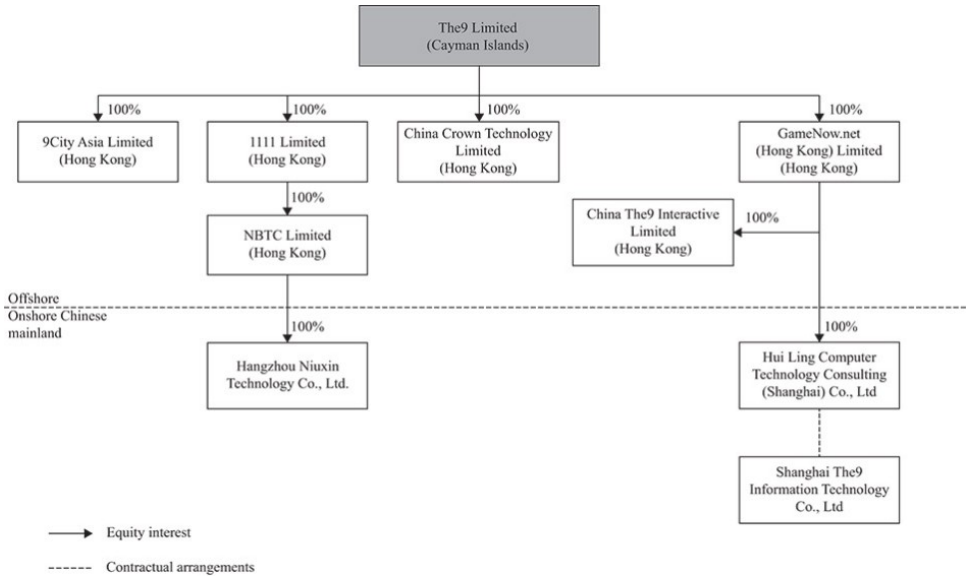
On February 17, 2023, the CSRC issued a Trial Measures for the Administration of Overseas Securities Issuance and Listing of Domestic Enterprises, or the **Trial Measures**, which came into effect on March 31, 2023. According to the Trial Measures, the overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the determination of an indirect offering and listing will be conducted on a "substance over form" basis, and 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) the main part of the business activities is carried out in the territory of the Chinese mainland or the main place of business is in the Chinese mainland, and the senior management personnel responsible for business operations and management are mostly citizens of the Chinese mainland or are ordinarily resident in the Chinese mainland. According to the Trial Measures, an overseas offering and listing is prohibited under any of the following circumstances: (i) if the intended securities offering and listing is specifically prohibited by national laws and regulations and provisions; (ii) if the intended securities offering and listing may constitute a threat to or endangers national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy; (v) if, the domestic enterprises are currently under investigation for suspicion of criminal offenses, or are under investigation for suspicion of major violations of laws and regulations, although no clear conclusions have been reached; (vi) if there are material ownership disputes over the equities held by the controlling shareholder or the shareholder under the control of the controlling shareholder or the de facto controller.

According to the Trial Measures, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC: (i) with respect to its initial public offering and listing overseas, it shall file with the CSRC within three business days after submitting the application documents for offering and listing overseas. (ii) with respect to its follow-on offering in the same overseas market, it shall file with the CSRC within three business days after completion of the follow-on offering. (iii) If an issuer, after completion of the offering and listing overseas, make offering and listing in other overseas markets, it shall put on record in accordance with the provisions of the Article(i). According to the Trial Measures, domestic enterprises which have already listed overseas is not required to make such filing immediately. However, we cannot assure you that any new rules or regulations promulgated by CSRC in the future will not require us to obtain any approval or filing.

Non-compliance with the Trial Measures or an overseas listing completed in breach of the Trial Measures may result in a warning on the domestic companies or a fine of RMB1 million to RMB10 million on them. The controlling shareholder or actual controller of the domestic enterprise organizes or instructs the illegal acts, then a fine between RMB1 million to RMB10 million shall be imposed on them, and for other directly responsible personnel in charge shall be punished by a fine of RMB500,000 to RMB5,000,000. Furthermore, If the circumstances are serious, the CSRC may impose a securities market ban on the responsible personnel from entering the securities market, and if they constitute a crime, criminal liability shall be investigated in accordance with the law.

C. Organizational Structure

The following diagram illustrates our organizational structure, the place of formation, ownership interest of each of our significant subsidiaries and material variable interest entity as of the date of this annual report:



Note:

The shareholders of Shanghai IT are Mr. Wei Ji and Mr. Qi Wang, each owning 64% and 36% of Shanghai IT's equity interest, respectively. Mr. Wei Ji and Mr. Qi Wang are two of our employees.

Contractual Arrangements with The Variable Interest Entity

Due to legal restrictions in the Chinese mainland on foreign ownership and investment in value-added telecommunications services, and internet content provision services in particular, we currently conduct these activities through Shanghai IT, which we conduct business operations through a series of contractual arrangements. These contractual arrangements allow us to:

- conduct business operations through contractual arrangements with Shanghai IT;
- receive substantially all of the economic benefits of Shanghai IT; and
- have an exclusive option to purchase all or part of the equity interests in Shanghai IT when and to the extent permitted by laws of the Chinese mainland.

Despite the lack of legal majority ownership, we are able to direct the activities of and derive economic benefits from Shanghai IT and therefore our Cayman Island holding company is considered the primary beneficiary of Shanghai IT for accounting purposes and consolidates Shanghai IT and its subsidiaries as required by Accounting Standards Codification topic 810, Consolidation. Accordingly, we treat Shanghai IT as a consolidated entity under U.S. GAAP and we consolidate the financial results of Shanghai IT in our consolidated financial statements in accordance with U.S. GAAP. Neither The9 Limited nor its investors have an equity ownership in, direct foreign investment in, or control through such ownership or investment of, Shanghai IT, and the contractual arrangements are not equivalent to an equity ownership in the business of Shanghai IT.

Contractual Arrangements with Shanghai IT

Please refer to "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Arrangements with Variable Interest Entity."

D. Property, Plants and Equipment

Our headquarters are located on premises comprising over 1,500 square meters in an office building in Shanghai, China. We lease all of our premises from unrelated third-parties. In addition, we have subsidiaries located in the United States and Singapore, China.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included in this annual report. In 2023, we sold NFTSTAR Singapore Pte. Ltd. and its subsidiaries to an unrelated third party. As a result of the disposal, we no longer consolidate the operating results of the NFT business. The historical financial results of the NFT business are reflected in our consolidated financial statements as discontinued operations accordingly. This report contains forward-looking statements. In evaluating our business, you should carefully consider the information provided under the caption "Risk Factors" in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. Operating Results

We are an internet company listed on Nasdaq in 2004. We had been operating an online game business before our listing until 2021, when we turned our business focus to blockchain business. We have been primarily engaged in the operation of cryptocurrency mining since 2022.

The major factors affecting our results of operations and financial conditions include:

- our revenues' composition and sources of revenues;
- price of Bitcoin;
- our cost of revenues; and
- our operating expenses.

We pledged 110 Bitcoin and 1.5 million USDT to Binance for the cooperation on Filecoin mining in 2021. In accordance with the agreed Filecoin mining distribution schedule, Binance had gradually released all Bitcoin and USDT pledged from 2021 to 2024. Among the Bitcoin and USDT pledged, 40 Bitcoin and 1.5 million USDT were released in 2021, 32 Bitcoin were released in 2023, and the remaining 38 Bitcoin were released in 2024. Our cooperation with Binance on Filecoin mining has been terminated. See note 10<3> to our consolidated financial statements, which are included elsewhere in this annual report, for further details.

As of the date of this annual report, we pledged 323 Bitcoins for seven loan tranches to secure the repayment of the net loan proceeds of approximately 15 million USDT. Each loan tranche has the same loan-to-value ratio of 65%. Each tranche of the loan (a) shall be payable back after one-year period, (b) has an annual interest rate of 3.25% on the respective principal amount, with such interest payable quarterly, and (c) is subject to 2% of the origination fee withheld from the principal amount of each tranche. In addition, 1111 Limited respectively signed two master pledge agreements with Equities First, in 2024 and April 2025, which contain substantially similar material commercial terms and conditions, pursuant to which it assigns to Equities First and transfers all rights, title, ownership, and interest in and to the Bitcoin collateral. 1111 Limited and Equities First agreed that the loan and the pledge are non-recourse, i.e., Equities First shall look only to the Bitcoin collateral for the repayment of the principal loan amounts. Within five days of 1111 Limited's repayment of the principal loan amounts, Equities First shall reassign all rights, titles, ownership and interest in the Bitcoin back to 1111 Limited. As of the date of this annual report, the transactions of seven tranches had been closed.

Revenue Composition and Sources of Revenue. We began cryptocurrency mining activities in February 2021. In 2022, 2023 and 2024, we generated substantially all of our revenues from cryptocurrency mining, the remaining portion of our revenues from provision of hosting services, consulting services and other services. The following table sets forth our revenues generated from cryptocurrency mining and other revenues, both in absolute amounts and as percentages of total revenues for the periods indicated.

	For the Year ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Revenues:							
Cryptocurrency mining revenue	97,857	93.3	168,324	96.7	110,739	15,171	99.1
Other revenues	7,072	6.7	5,721	3.3	975	134	0.9
Total Revenues	**104,929**	**100.0**	**174,045**	**100.0**	**111,714**	**15,305**	**100**

Cryptocurrency Mining. In 2022, 2023 and 2024, revenues from our cryptocurrency mining business amounted to RMB97.9 million, RMB168.3 million and RMB110.7 million (US$15.2 million), respectively.

All of our cryptocurrency mining revenues were in Bitcoin. Since February 2021, we have generated our Bitcoin mining revenues through provision of computing power, or hash rate, in crypto asset transaction verification services to Bitcoin mining pool operators in exchange for non-cash consideration in Bitcoin. The provision of computing power is our sole performance obligation in our agreements with the mining pool operators and is satisfied over time. We are entitled to receive a fractional share of the Bitcoin award (less mining pool fees deducted by the mining pool operators) from the Bitcoin mining pool operators based on the daily computing power provided to the mining pool operators. The Contract inception and our enforceable right to compensation begin only when, and last as long as, we provide computing power to the mining pool operators on a daily basis. The contract is terminable at any time either by us or the mining pool operator without any penalty to either party. As such, the termination option results in a contract that continuously renews and therefore has a duration for accounting purposes of less than 24 hours. However, the continual renewal of the agreement does not represent a material right requiring separate performance obligations, as the contractual payout formula remains the same upon each renewal.

Currently, we only participate in a Full-Pay-Per-Share ("FPPS") mining pool. The FPPS payout model of Bitcoin is based on a contractual formula, which primarily calculates the hash rate provided to the mining pool as a percentage of total network hash rate, and other inputs, less mining pool fees. We are entitled to compensation once we begin to provide computing power that measures in hash rate to the mining pool operator over a 24-hour period beginning midnight UTC and ending 23:59:59 UTC on the same day of contract inception. We recognize non-cash consideration on the same day that control of the contracted service is transferred to the mining pool operator, which is the same day as the contract inception.

The transaction consideration we received, if any, is noncash consideration in the form of Bitcoin. Changes in the fair value of the noncash consideration after contract inception due to the form of consideration (change in the market price of Bitcoin) are not included in the transaction price and, therefore, are not included in revenue.

The consideration is all variable. Because it is probable that a significant reversal of cumulative revenue will not occur and we are able to calculate the payout based on the contractual formula, noncash consideration is recognized based on the spot price of Bitcoin determined using our principal market for Bitcoin at the inception of each contract, which is on a daily basis. Noncash consideration is measured at fair value at contract inception. The fair value of the cryptocurrency consideration is determined using the quoted price per our principal market for Bitcoin at the beginning of the contract period, which is the same day that control of the contracted service is transferred to the mining pool operator. This amount (less mining pool fees deducted by the mining pool operator) is recognized as revenue as hash rate is provided to the mining pool operators.

Other revenues. In 2022, 2023 and 2024, our other revenues mainly included revenues from provision of hosting and consulting services. Our other revenues amounted to RMB7.1 million, RMB5.7 million and RMB1.0 million (US$0.1 million) in 2022, 2023 and 2024, respectively.

Cost of Revenues. In 2022, 2023 and 2024, our cost of revenue primarily consisted of costs associated with running the cryptocurrency mining business, including electricity costs and depreciation on cryptocurrency mining equipment. In addition, our cost of revenues consisted of costs directly attributable to rendering our services, including payrolls, depreciation of equipment and computer equipment and other overhead expenses directly attributable to the services we provide.

Operating Expenses. In 2022, 2023 and 2024, our operating expenses primarily consisted of impairment loss of equipment, product development expenses, sales and marketing expenses, general and administrative expenses, fair value change on cryptocurrencies , the realized gain on exchange cryptocurrencies and impairment of cryptocurrencies.

Product Development Expenses. In 2022, 2023 and 2024, our product development expenses primarily consisted of outsourced research and development, payroll, depreciation charges and other overhead. Our product development expenses amounted to RMB2.4 million, RMB2.0 million and RMB0.9 million (US$0.1 million) for the years ended December 31, 2022, 2023 and 2024, respectively.

Sales and Marketing Expenses. Our sales and marketing expenses primarily consisted of advertising and promotional expenses, payroll and other overhead expenses incurred by our sales and marketing personnel. Our sales and marketing expenses amounted to RMB3.5 million, RMB1.7 million and RMB0.2 million (US$0.03 million) for the years ended December 31, 2022, 2023 and 2024, respectively.

General and Administrative Expenses. In 2022, 2023 and 2024, our general and administrative expenses primarily consisted of non-cash share-based compensation, payroll and professional fees incurred in connection with professional service providers for auditing, legal services, depreciation and amortization expenses and equity transactions. General and administration expenses amounted to RMB360.0 million, RMB196.8 million and RMB157.8 million (US$21.6 million) for the years ended December 31, 2022, 2023 and 2024, respectively.

Impairment of cryptocurrencies. In December 2023, FASB issued an updated accounting standard ASU 2023-08 Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60) for accounting for and disclosure of crypto assets, or **ASU 2023-08**. Effective January 1, 2023, we adopted early on this updated accounting standard, our crypto assets are measured at fair value. There were no impairment of cryptocurrencies recognized in 2023 as the fair value of our cryptocurrencies exceeded their carrying value. Prior to the adoption of ASU 2023-08, the useful life of cryptocurrency is indefinite, thus it should not be amortized but should be tested for impairment annually, or more frequently, when events or changes in circumstances occur which indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment of cryptocurrency exists when the carrying amount exceeds its fair value, which is measured using the intraday low quoted price of the cryptocurrency at the time its fair value is being measured on any day subsequent to its acquisition and an impairment charge will be recognized. To the extent an impairment loss is recognized, the loss established the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted. We recognized impairment of cryptocurrencies of RMB58.6 million, nil and nil for the years ended December 31, 2022, 2023 and 2024, respectively.

Impairment on equipment. We recognized impairment on equipment of RMB176.9 million, RMB161.0 million and RMB6.5 million (US$0.9 million) for the years ended December 31, 2022, 2023 and 2024, respectively.

Impairment on advance and other assets. We recognized impairment on advance and other assets of RMB23.7 million, nil and RMB0.8 million (US$0.1 million) for the years ended December 31, 2022, 2023 and 2024, respectively.

Realized gain on exchange cryptocurrencies. We recognized realized gain on exchange cryptocurrencies of RMB10.9 million, RMB42.8 million and RMB60.8 million (US$8.3 million) for the years ended December 31, 2022, 2023 and 2024, respectively.

Fair value exchange on cryptocurrencies. We recognized realized fair value exchange on cryptocurrencies of nil, RMB40.0 million and RMB48.3 million (US$6.6 million) for the years ended December 31, 2022, 2023 and 2024, respectively, and was recognized as a result of our adoption of ASU 2023-08, under which cryptocurrencies are recognized at fair value with changes in fair value recognized in net income. The gain recognized in 2023 was attributable to increase in the price of Bitcoin as of December 31, 2023, as compared to December 31, 2022. The gain recognized in 2024 was attributable to increase in the price of Bitcoin.

Loss on disposal of subsidiaries. We recognized loss on disposal of subsidiaries of RMB3.7 million, RMB0.3 million, and RMB11.6 million (US$1.6 million) for the years ended December 31, 2022, 2023 and 2024, respectively.

Changes in fair value on other investments. We recognized gain(loss) on changes in fair value on other investments of RMB (30.0 million), RMB3.5 million, and RMB (7.2 million) (US$1.0 million) for the years ended December 31, 2022, 2023 and 2024 respectively.

Gain on fair value of derivative. We recognized gain on fair value of derivative of RMB 37.3 million, RMB23.2 million, and RMB 45.0 million (US$6.2 million) for the years ended December 31, 2022, 2023 and 2024 respectively.

Gain on Extinguished Liabilities of WoW. No gain on extinguished liabilities of WoW was recognized in 2022. We had a gain on extinguished liabilities of WoW of nil, RMB175.3 million and nil for the years ended December 31, 2022, 2023 and 2024, respectively.

Gain(loss) from discontinued operations, net. We recognized gain (loss) from discontinued operations, net of tax, RMB (286.1 million), RMB156.9 million, and nil for the years ended December 31, 2022, 2023 and 2024 respectively. The gain (loss) from discontinued operations, net of tax, were related to the disposal of NFT Business.

Holding Company Structure

We are a holding company incorporated in the Cayman Islands. We carry out our business mainly through our subsidiaries in Hong Kong, U.S., Kazakhstan, among other jurisdictions. Currently, the majority of our revenues are derived from our Hong Kong subsidiaries. As a result, our cash requirements and our ability to pay dividends principally depend upon dividends and other distributions from our subsidiaries in Hong Kong. We do not foresee any foreign currency or dividend distribution control in Hong Kong.

We have gradually and significantly reduced our business operation through the variable interest entity in the Chinese mainland. In terms of our business operations in the Chinese mainland, our cash requirements and our ability to pay dividends principally depend upon dividends and other distributions from our Chinese mainland subsidiaries, which in turn are derived principally from earnings generated by the variable interest entity. Current regulations of the Chinese mainland restrict the variable interest entity and subsidiaries from paying dividends in the following two principal aspects: (i) the variable interest entity and Chinese mainland subsidiaries are only permitted to pay dividends out of their respective accumulated profits, if any, determined in accordance with PRC accounting standards and regulations; and (ii) these entities are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain capital reserves until the cumulative total of the allocated reserves reach 50% of registered capital, and a portion of their respective after-tax profits to their staff welfare and bonus reserve funds as determined by their respective boards of directors. These reserves are not distributable as dividends. See “Item 4. Information on the Company—B. Business Overview—Government Regulations.” In addition, failure to comply with SAFE regulations may restrict the ability of our subsidiaries to make dividend payments to us. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Regulations of the Chinese mainland relating to the establishment of offshore special purpose companies by residents of the Chinese mainland may subject our resident shareholders of the Chinese mainland or us to penalties and fines, and limit our ability to inject capital into our Chinese mainland subsidiaries, limit our subsidiaries’ ability to increase their registered capital, distribute profits to us, or otherwise adversely affect us.”

Income and Sales Taxes

Cayman Islands

Under the current tax laws of the Cayman Islands, we are not subject to tax on our income or capital gains.

Hong Kong

Our subsidiaries incorporated in Hong Kong did not have assessable profits that were derived in Hong Kong during the year ended December 31, 2024.

United States

Our subsidiaries in the United States are registered in Delaware and are subject to U.S. federal corporate income tax at a rate of 21% for the taxable year ended December 31, 2024 and state corporate income tax at a rate of 8.7%. Our subsidiaries incorporated in the U.S. did not have assessable profits that were derived in the U.S. during the year ended December 31, 2024.

Singapore

Our subsidiaries incorporated in Singapore did not have assessable profits that were derived in Singapore during the year ended December 31, 2024.

The Chinese mainland

Our subsidiaries and the variable interest entity and its subsidiaries incorporated in the Chinese mainland are subject to enterprise income tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the PRC Enterprise Income Tax Law. Our subsidiaries and the variable interest entity and its Chinese mainland subsidiaries are generally subject to enterprise income tax at a statutory rate of 25%. We had moved all mining operations outside of the Chinese mainland.

In addition, under the PRC Enterprise Income Tax Law, enterprises organized under the laws of their respective jurisdictions outside of the Chinese mainland may be classified as either "non-resident enterprises" or "resident enterprises." Non-resident enterprises are subject to withholding tax at the rate of 20% with respect to their Chinese mainland-sourced dividend income if they have no establishment or place of business in the Chinese mainland or if such income is not related to their establishment or place of business in the Chinese mainland, unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and the governments of other countries or regions. The State Council has reduced the withholding tax rate to 10% in the newly promulgated implementation rules of the PRC Enterprise Income Tax Law. As we are incorporated in the Cayman Islands, we may be regarded as a "non-resident enterprise." We hold equity interests in certain Chinese mainland subsidiaries through subsidiaries in Hong Kong. According to the Tax Agreement between the Chinese mainland and Hong Kong, dividends paid by a foreign-invested enterprise in the Chinese mainland to its corporate shareholder in Hong Kong holding 25% or more of its equity interest may be subject to withholding tax at the maximum rate of 5% if certain criteria are met. Entitlement to such lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is further subject to approval and filing procedures of the tax authority.

In February 2018, the SAT issued the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties on issues relating to "beneficial owner" in tax treaties, or Circular No. 9, which took effect on April 1, 2018. Circular No. 9 provides a more elastic guidance to determine whether the applicant engages in substantive business activities to constitute a "beneficial owner." When determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in the past twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the other country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes at all or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the "beneficial owner" shall submit the relevant documents to the tax bureau according to the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties, pursuant to which non-resident taxpayers which satisfy the criteria to be entitled to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and be subject to follow-up administration by the tax authorities. If the non-resident taxpayer does not apply to the withholding agent for the tax treaty benefits, or such taxpayer does not satisfy the criteria to be entitled to tax treaty benefits, the withholding agent should withhold tax pursuant to the provisions of tax laws of the Chinese mainland. We cannot assure you that any dividends to be distributed from us or from our subsidiaries to our non-Chinese mainland shareholders and ADS holders whose jurisdiction of incorporation has a tax treaty with the Chinese mainland providing a different withholding arrangement will be entitled to the benefits under the withholding arrangement.

The PRC Enterprise Income Tax Law deems an enterprise established offshore but having its management organ in the Chinese mainland as a "resident enterprise" that will be subject to the Chinese mainland tax at the rate of 25% of its global income. Under the Implementation Rules of the New Enterprise Income Tax Law, the term "management organ" is defined as "an organ which has substantial and overall management and control over the manufacturing and business operation, personnel, accounting, properties and other factors." On April 22, 2009, the SAT further issued Circular 82 which was partly repealed on December 29, 2017. According to Circular 82, a foreign enterprise controlled by a company in the Chinese mainland or a company group in the Chinese mainland shall be deemed a resident enterprise of the Chinese mainland, if (i) the senior management and the core management departments in charge of its daily operations are mainly located and function in the Chinese mainland; (ii) its financial decisions and human resource decisions are subject to the determination or approval of persons or institutions located in the Chinese mainland; (iii) its major assets, accounting books, company seals, minutes and files of board meetings and shareholders' meetings are located or kept in the Chinese mainland; and (iv) more than half of the directors or senior management with voting rights reside in the Chinese mainland. On July 27, 2011, SAT issued SAT Bulletin 45, as amended on April 17, 2015, June 28, 2016 and June 15, 2018, which further clarified the detailed procedures for determination of the resident status provided in Circular 82, competent tax authorities in charge and post-determination administration of such resident enterprises. Although our offshore companies are not controlled by any company in the Chinese mainland or company group in the Chinese mainland, we cannot assure you that we will not be deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law and thus be subject to PRC enterprise income tax on our global income.

According to the PRC Enterprise Income Tax Law and its implementation rules, dividends are exempted from income tax if such dividends are received by a resident enterprise of the Chinese mainland on equity interests it directly owns in another resident enterprise of the Chinese mainland. However, foreign corporate holders of our shares or ADSs may be subject to taxation at a rate of 10% on any dividends received from us or any gains realized from the transfer of our shares or ADSs if we are deemed to be a resident enterprise or if such income is otherwise regarded as income "**sourced within the Chinese mainland**." See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—The income tax laws of the Chinese mainland may increase our tax burden or the tax burden on the holders of our shares or ADSs, and tax benefits available to us may be reduced or repealed, causing the value of your investment in us to decrease."

With respect to sales taxes, before December 31, 2011, all the services provided by our Chinese mainland subsidiaries were subject to business taxes at the rate of 5%. On March 23, 2016, the Ministry of Finance and the SAT jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of Value Added Tax Instead of Business Tax, or Circular 36, which took effect on May 1, 2016 and was amended on July 11, 2017 and March 20, 2019. Pursuant to Circular 36, all companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay VAT in lieu of business tax. As a result of Circular 36, the services provided by general VAT payers will be subject to VAT at the rate of 6%, and the services provided by small-scale VAT payers will be subject to VAT at the rate of 3%.

Recent Accounting Pronouncements

A list of recent accounting pronouncements that are relevant to us is included in note <33> to our consolidated financial statements, which are included in this annual report.

Results of Operations

The following table sets forth a summary of our consolidated statements of operations for the periods indicated.

	For the Years Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
Revenues:							
Cryptocurrency mining revenue	97,857	93.3	168,324	96.7	110,739	15,171	99.1
Online game services and other revenues	7,072	6.7	5,721	3.3	975	134	0.9
	104,929	100.0	174,045	100.0	111,714	15,305	100.0
Sales taxes	—	—	—	—	—	—	—
Total net revenues	104,929	100.0	174,045	100.0	111,714	15,305	100.0
Cost of cryptocurrency mining	(139,192)	(132.7)	(191,928)	(110.3)	(106,464)	(14,585)	(95.3)
Cost of online game services and other revenues	(13,115)	(12.5)	(21,251)	(12.2)	(6,854)	(939)	(6.1)
Total cost	(152,307)	(145.2)	(213,179)	(122.5)	(113,318)	(15,524)	(101.4)
Gross (loss) profit	(47,378)	(45.2)	(39,134)	(22.5)	(1,604)	(219)	(1.4)
Operating (expenses) income:							
Product development	(2,433)	(2.3)	(1,970)	(1.1)	(856)	(117)	(0.8)
Sales and marketing	(3,496)	(3.3)	(1,729)	(1.0)	(246)	(34)	(0.2)
General and administrative	(359,935)	(343.0)	(196,790)	(113.1)	(157,832)	(21,623)	(141.3)
Impairment on advance and other assets	(23,657)	(22.5)	—	—	(794)	(109)	(0.7)
Impairment on cryptocurrency	(58,624)	(55.9)	—	—	—	—	—
Impairment on equipment	(176,874)	(168.6)	(161,002)	(92.5)	(6,505)	(891)	(5.8)
Realized gain on exchange digital assets	10,865	10.4	42,836	24.6	60,783	8,327	54.4
Fair value change on digital assets	—	—	40,036	23.0	48,290	6,616	43.2
Total operating (expenses) income	**(614,154)**	**(585.3)**	**(278,619)**	**(160.1)**	**(57,160)**	**(7,831)**	**(51.2)**
Other operating income, net	—	—	—	—	—	—	—
(Loss) income from operations	**(661,532)**	**(612.2)**	**(317,753)**	**(182.6)**	**(58,764)**	**(8,050)**	**(52.6)**
Gain(loss) on disposal of subsidiaries	(3,749)	(3.6)	(282)	(0.2)	(11,606)	(1,590)	(10.4)
Impairment on equity investments	(17,252)	(16.4)	—	—	—	—	—
Changes in fair value on other investments	(29,958)	(28.6)	3,490	2.0	(7,160)	(981)	(6.4)
Interest expense	(23,337)	(22.2)	(31,379)	(18.0)	(34,224)	(4,689)	(30.6)
Gain on FV of Derivative	37,250	35.5	23,171	13.3	45,037	6,170	40.3
Gain on disposal of equity investee and available-for-sale investments	712	0.7	1,666	1.0	(8)	(1)	(0.0)
Foreign exchange loss	(6,293)	(6.0)	(6,816)	(3.9)	(713)	(98)	(0.6)
Gain on extinguished liabilities of WoW	—	—	175,302	(100.7)	—	—	—
Other (expenses) income, net	10,753	10.2	8,324	4.8	(5,082)	(696)	(4.5)
Loss from continuing operations before income tax expense and share of loss in equity method investments	**(693,406)**	**(660.8)**	**(144,277)**	**(82.9)**	**(72,520)**	**(9,935)**	**(64.9)**
Income tax expense	—	—	—	—	—	—	—
Share of loss in equity method investments	—	—	—	—	(1,122)	(154)	(1.0)
Loss from continuing operations	**(693,406)**	**(660.8)**	**(144,277)**	**(82.9)**	**(73,642)**	**(10,089)**	**(65.9)**
Loss from discontinued operations, net of tax	(286,086)	(272.6)	(1,956)	(1.1)	—	—	—
Gain on disposal of discontinued operations, net of tax	—	—	158,809	91.2	—	—	—
Net (loss) income	**(979,492)**	**(933.5)**	**12,576**	**7.2**	**(73,642)**	**(10,089)**	**(65.9)**
Net loss attributable to noncontrolling interest	(4,633)	(4.4)	(7,427)	(4.3)	(218)	(30)	(0.2)
Net (loss) income attributable to The9 Limited	(974,859)	(929.1)	20,003	11.5	(73,424)	(10,059)	(65.7)
Net (loss) income attributable to shareholders of ordinary shares	**(974,859)**	**(929.1)**	**20,003**	**11.5**	**(73,424)**	**(10,059)**	**(65.7)**
Other comprehensive (loss) income, net of tax:	—	—	—	—			
Currency translation adjustments	166	0.2	785	0.5	(148)	(20)	(0.1)
Total comprehensive (loss) income	**(979,326)**	**(933.3)**	**13,361**	**7.7**	**(73,790)**	**(10,109)**	**(66.1)**

Note:

(1) Translation from Renminbi amounts into U.S. dollars was made at a rate of RMB7.2993 to US$1.00 for the convenience of the reader only. See “Item 3. Key Information—Selected Financial Information—Exchange Rate Information.”

Year 2024 Compared to Year 2023

Revenues. Our revenues decreased by 35.8%, from RMB174.0 million in 2023 to RMB111.7 million (US$15.3 million) in 2024, primarily because of we suspended the cryptocurrency mining business in USA and Kazakhstan since June 2024.

Cost of Revenue. Cost of revenue decreased by 46.8% from RMB213.2 million in 2023 to RMB113.3 million (US$15.5 million) in 2024, primarily due to the relevant cryptocurrency mining has decreased and the decreased depreciation of mining machines.

Product Development Expenses. Product development expenses decreased by 56.5% from RMB2.0 million in 2023 to RMB0.9 million (US$0.1 million) in 2024. The decrease was primarily due to the reduction of personnel in the research and development department.

Sales and Marketing Expenses. Sales and marketing expenses decreased by 85.8% from RMB1.7 million in 2023 to RMB0.2 million (US$0.03 million) in 2024. The decrease in sales and marketing expenses was primarily due to the decrease of marketing expense on online games.

General and Administrative Expenses. General and administrative expenses decreased by 19.8% from RMB196.8 million in 2023 to RMB157.8 million (US$21.6 million) in 2024. The decrease was primarily due to the reduction in the transportation costs of the mining machines.

Impairment on Cryptocurrency. In December 2023, FASB issued an updated accounting standard ASU 2023-08. Effective January 1, 2023, we adopted early on this updated accounting standard, our crypto assets are measured at fair value. There were no impairment of cryptocurrencies recognized in 2023 as the fair value of our cryptocurrencies exceeded the carrying value of our cryptocurrencies. Prior to the adoption of ASU 2023-08, the useful life of cryptocurrency is indefinite, thus it should not be amortized but should be tested for impairment annually, or more frequently, when events or changes in circumstances occur which indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment of cryptocurrency exists when the carrying amount exceeds its fair value, which is measured using the intraday low quoted price of the cryptocurrency at the time its fair value is being measured on any day subsequent to its acquisition and an impairment charge will be recognized. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted. We recognized impairment of cryptocurrencies of RMB58.6 million in 2022, based on the impairment assessment performed after considering our cryptocurrencies carrying amount exceeded its fair value at any time subsequent to their acquisition.

Impairment on Equipment. Our impairment on equipment decreased from RMB161.0 million in 2023 to RMB6.5 million (US$0.9 million) in 2024, primarily because of the fluctuations of market price of computer equipment.

Impairment on Advance and Other Assets. We recorded impairment on advance and other assets of RMB0.8 million (US$0.1 million) in 2024. No impairment on advance and other assets was recognized in 2023. The difference was primarily due to the impairment of deposit paid to Montcompute Limited.

Realized Gain on Exchange Digital Assets. Our realized gain on exchange digital assets increased from RMB42.8 million in 2023 to RMB60.8 million (US$8.3 million) in 2024, primarily because of the rise in the prices of cryptocurrencies.

Fair value Change on Digital Assets. We recorded fair value change on digital assets of RMB40.0 million and RMB48.3 million (US$6.6 million) in 2023 and 2024. The difference was primarily due to the increase in the price of the cryptocurrencies.

Impairment on Equity Investments. No impairment on equity investments was recognized in 2023 and 2024.

Changes in fair value on other investments. We recognized positive changes in fair value on other investment amounted to RMB3.5 million (US$0.5 million) in 2023, primarily due to the gain on our investment in SMI, partially offset by the loss on our investments in FF Intelligent and Nano Labs. We recognized negative changes in fair value on other investment amounted to RMB7.2 million (US$1.0 million) in 2024, primarily due to the investment loss in SMI.

Gain (Loss) on Disposal of Subsidiaries. We had a loss on disposal of subsidiaries of RMB0.3 million in 2023. We had a loss on disposal of subsidiaries of RMB11.6 million (US$1.6 million) in 2024. The difference was primarily due to loss on disposal of MONTCOMPUTE LTD in 2024.

Interest Expenses. We recorded interest expenses amounting to RMB31.4 million in 2023, mainly resulting from increase in non-cash amortization of debt discount and interest expense relating to the convertible notes. We recorded interest expenses amounting to RMB34.2 million (US$4.7 million) in 2024, mainly resulting from non-cash amortization of debt discount and interest expense relating to convertible notes and BTC Mortgage loan.

Gain from Change in Fair Value of Conversion Feature Derivative Liability. We had a gain from change in fair value of conversion feature derivative liability of RMB23.2 million in 2023, mainly related to the convertible notes we issued in March 2021 and November 2023. We had a gain from change in fair value of conversion feature derivative liability of RMB45.0 million (US$6.2 million) in 2024, mainly related to the convertible notes we issued in March 2021 and November 2023.

Gain on Disposal of Equity Investee and Available For-Sale Investments. We had gain on disposal of equity investee and available for-sale investments of RMB1.7 million in 2023 and loss on equity investee and available for-sales of RMB0.008 million (US$0.001 million) in 2024. The decrease was primarily due to sales of Nano Labs, Ltd. shares.

Gain on Extinguished Liabilities of WoW. We had a gain on extinguished liabilities of WoW of RMB175.3 million and nil in 2023 and 2024, respectively. The difference was primarily due to our derecognized refund liabilities relating to WoW games and recognized a gain on extinguished liabilities of WoW in 2023.

Foreign Exchange Loss. We recorded foreign exchange loss of RMB6.8 million in 2023 and RMB0.7 million (US$0.1 million) in 2024.

Other (Expenses) Income, Net. We recorded other income amounting to RMB8.3 million in 2023, mainly relating to the other income from collection of accounts receivables of 51 miners in 2023, which was recorded as impaired in 2023. We recorded other expense amounting to RMB5.1 million (US$0.7 million) in 2024, mainly relating to disposal of subsidiaries and loss on write off of fixed assets in 2024.

Loss from Discontinued Operations, Net of Tax. We had loss from discontinued operations of RMB2.0 million in 2023 and nil in 2024. The difference was primarily due to the loss in NFT business in 2023.

Gain on disposal of discontinued operations. We had a gain on disposal of discontinued operations of RMB158.8 million and nil in 2023 and 2024, which was primarily due to the gain on disposal of NFT business in 2023.

Net (Loss) Income Attributable to Shareholders of Ordinary Shares. Primarily as a result of the cumulative effect of the above factors, we recorded a net loss attributable to our shareholders of ordinary shares of RMB73.4 million (US$10.1 million) in 2024, as compared with gain loss attributable to holders of ordinary shares of RMB20.0 million in 2023.

Year 2023 Compared to Year 2022

Revenues. Our revenues increased by 65.7%, from RMB108.1 million in 2022 to RMB179.0 million in 2023, primarily because of the increase in cryptocurrency mining activities and the rise in the price of Bitcoin.

Cost of Revenue. Cost of revenue increased by 36.4% from RMB155.3 million in 2022 to RMB211.9 million in 2023, primarily due to the increase in electric charge and service fee in cryptocurrency mining.

Product Development Expenses. Product development expenses decreased by 19.0% from RMB2.4 million in 2022 to RMB2.0 million in 2023. The decrease was primarily due to the business justification of the online game MetaGoal and therefore no longer incurred development expenses on MetaGoal.

Sales and Marketing Expenses. Sales and marketing expenses decreased by 50.5% from RMB3.5 million in 2022 to RMB1.7 million in 2023. The decrease in sales and marketing expenses was primarily due to the decrease of marketing expenses on online games.

General and Administrative Expenses. General and administrative expenses decreased by 43.6% from RMB360.0 million in 2022 to RMB203.1 million in 2023. The decrease was primarily due to the decrease in share-based compensation to senior management.

Impairment on Cryptocurrency. In December 2023, FASB issued an updated accounting standard ASU 2023-08. Effective January 1, 2023, we adopted early on this updated accounting standard, our crypto assets are measured at fair value. There were no impairment of cryptocurrencies recognized in 2023 as the fair value of our cryptocurrencies exceeded the carrying value of our cryptocurrencies. Prior to the adoption of ASU 2023-08, the useful life of cryptocurrency is indefinite, thus it should not be amortized but should be tested for impairment annually, or more frequently, when events or changes in circumstances occur which indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment of cryptocurrency exists when the carrying amount exceeds its fair value, which is measured using the intraday low quoted price of the cryptocurrency at the time its fair value is being measured on any day subsequent to its acquisition and an impairment charge will be recognized. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted. We recognized impairment of cryptocurrencies of RMB58.6 million in 2022, based on the impairment assessment performed after considering our cryptocurrencies carrying amount exceeded its fair value at any time subsequent to their acquisition.

Impairment on Equipment. Our impairment on equipment decreased from RMB176.9 million in 2022 to RMB161.0 million in 2023, primarily because of the fluctuations of market price of computer equipment.

Impairment on Advance and Other Assets. We recorded impairment on advance and other assets of RMB23.7 million in 2022. No impairment on advance and other assets was recognized in 2023. The difference was primarily due to the impairment of deposit paid to our partners who operate data centers before we deploy our machines for our cryptocurrency mining business.

Realized Gain on Exchange Digital Assets. Our realized gain on exchange digital assets increased from RMB10.9 million in 2022 to RMB42.8 million in 2023, primarily because of the rise in the prices of cryptocurrencies.

Fair value Change on Digital Assets. No fair value change on digital assets was recognized in 2022. We recorded fair value change on digital assets of RMB40.0 million in 2023. The difference was primarily due to the early adoption of ASU 2023-08, effective January 1, 2023.

Impairment on Equity Investments. We recorded impairment on equity investments of RMB17.3 million in 2022. No impairment on equity investments was recognized in 2023. The difference was primarily due to impairment loss on Skychain Technologies Inc. recognized in 2022.

Changes in fair value on other investments. We recognized negative changes in fair value on other investments amounted to RMB30.0 million in 2022, primarily due to the impairment of investments in FF Intelligent and SMI. We recognized positive changes in fair value on other investments amounted to RMB3.5 million in 2023, primarily due to the gain on our investment in SMI, partially offset by the loss on our investments in FF Intelligent and Nano Labs.

Gain (Loss) on Disposal of Subsidiaries. We had a loss on disposal of subsidiaries of RMB3.7 million in 2022. We had a gain on disposal of subsidiaries of RMB0.3 million in 2023. The difference was primarily due to loss on disposal of NSWAP Singapore Pte. Ltd. in 2023.

Interest Expenses. We recorded interest expenses amounting to RMB23.3 million in 2022, mainly resulting from non-cash amortization of debt discount and interest expense relating to the convertible notes. We recorded interest expenses amounting to RMB31.4 million in 2023, mainly resulting from increase in non-cash amortization of debt discount and interest expense relating to the convertible notes.

Gain from Change in Fair Value of Conversion Feature Derivative Liability. We had a gain from change in fair value of conversion feature derivative liability of RMB37.2 million in 2022, mainly related to the convertible notes we issued in March 2021 and August 2022. We had a gain from change in fair value of conversion feature derivative liability of RMB23.2 million in 2023, mainly related to the convertible notes we issued in March 2021 and November 2023.

Gain on Disposal of Equity Investee and Available For-Sale Investments. We had gain on disposal of equity investee and available for-sale investments of RMB0.7 million in 2022 and RMB1.7 million in 2023. The increase was primarily due to sales of investment on SMI.

Gain on Extinguished Liabilities of WoW. No gain on extinguished liabilities of WoW was recognized in 2022. We had a gain on extinguished liabilities of WoW of RMB175.3 million in 2023. The difference was primarily due to our derecognized refund liabilities relating to WoW games and recognized a gain on extinguished liabilities of WoW in 2023.

Foreign Exchange Loss. we recorded foreign exchange loss of RMB6.3 million in 2022 and RMB6.8 million in 2023.

Other (Expenses) Income, Net. We recorded other income amounting to RMB10.8 million in 2022, mainly relating to the Group recorded about RMB54.7 million settlement payment to Splendid Days and a third-party in 2021. We recorded other income amounting to RMB8.3 million in 2023, mainly relating to the other income from collection of accounts receivables of 51 miners in 2023, which was recorded as impaired in 2022.

Loss from Discontinued Operations, Net of Tax. We had loss from discontinued operations of RMB286.1 million in 2022 and RMB2.0 million in 2023. The difference was primarily due to the loss from operations of the NFT business, which had been reclassified and presented as discontinued operations for all periods presented in this annual report.

Gain on disposal of discontinued operations. We had a gain on disposal of discontinued operations of RMB158.8 million in 2023, which was primarily due to the gain on disposal of NFT business.

Net (Loss) Income Attributable to Shareholders of Ordinary Shares. Primarily as a result of the cumulative effect of the above factors, we recorded a net loss attributable to our shareholders of ordinary shares of RMB20.0 million in 2023, as compared with net income attributable to holders of ordinary shares of RMB974.9 million in 2022.

B. Liquidity and Capital Resources

We are a holding company and conduct our operations primarily through our subsidiaries in Hong Kong, U.S., and Kazakhstan. Currently, the majority of our revenues are derived from our Hong Kong subsidiaries. As a result, our cash requirements and our ability to pay dividends principally depend upon dividends and other distributions from our subsidiaries in Hong Kong. We do not foresee any foreign currency or dividend distribution control in Hong Kong.

In the past three years, we have gradually and significantly reduced our business operation through the variable interest entity in the Chinese mainland. In terms of our business operations in the Chinese mainland, our cash requirements and our ability to pay dividends principally depend upon dividends and other distributions from our Chinese mainland subsidiaries, which in turn are derived principally from earnings generated by the variable interest entity. Specifically, Shanghai Hui Ling, one of our Chinese mainland subsidiaries, obtains funds from the entities in the Chinese mainland in the form of payments under the exclusive technical service agreements, pursuant to which Shanghai Hui Ling is entitled to determine the amount of payment.

We acknowledge that the PRC government imposes controls on the convertibility of the RMB into foreign currencies, and in certain cases, the remittance of currency out of the Chinese mainland. However, under existing foreign exchange regulations of the Chinese mainland, payments of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Therefore, we are able to pay dividends in foreign currencies without prior approval from SAFE or designated banks. Approval from or registration with appropriate government authorities and authorized banks is required where RMB is to be converted into foreign currency and remitted out of the Chinese mainland to pay capital expenses such as the repayment of loans denominated in foreign currencies.

Furthermore, if our subsidiaries or any newly formed subsidiaries incur debt on their own behalf, the agreements governing their debt may restrict their ability to pay dividends to us. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Restrictions on currency exchange in the Chinese mainland limit our ability to utilize our revenues effectively, make dividend payments and meet our foreign currency denominated obligations.”

Current regulations of the Chinese mainland restrict the variable interest entity and subsidiaries from paying dividends in the following two principal aspects: (i) the variable interest entity and Chinese mainland subsidiaries are only permitted to pay dividends out of their respective accumulated profits, if any, determined in accordance with PRC accounting standards and regulations; and (ii) these entities are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain capital reserves until the cumulative total of the allocated reserves reaches 50% of registered capital, and a portion of their respective after-tax profits to their staff welfare and bonus reserve funds as determined by their respective boards of directors. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, companies may not distribute the reserve funds as cash dividends except upon a liquidation of these subsidiaries. In addition, dividend payments from our Chinese mainland subsidiaries could be delayed as we may only distribute such dividends upon completion of annual statutory audits of the subsidiaries. As of December 31, 2024, such restricted portion was RMB137.2 million (US$18.8 million). We have not directed our Chinese mainland subsidiaries or the variable interest entity to distribute any dividends to-date.

In 2022, 2023 and 2024, our Cayman Islands holding company transferred cash in the total amount of RMB10.3 million, RMB56.4 million and RMB33.4 million (US$4.1 million) to our subsidiaries, respectively, and transferred cash, through our offshore intermediate holding entities, in the total amount of nil, nil and nil to the variable interest entity and its subsidiaries, respectively, and received cash in the total amount of nil, RMB49.7 million and RMB28.4 million (US$3.9 million) from our subsidiaries, respectively.

In 2022, 2023 and 2024, the consolidated variable interest entity and its subsidiaries transferred cash in the total amount of RMB5.1 million, RMB0.5 million and RMB4.4 million (US$0.6 million) to our subsidiaries, respectively, and received cash from in the total amount of RMB17.0 million, RMB10.0 million and RMB45.5 million (US$6.2 million) from our subsidiaries, respectively. The variable interest entity and its subsidiaries have received RMB3.7 million, nil and nil of service income from our subsidiaries in 2022, 2023 and 2024, respectively.

In 2022, 2023 and 2024, apart from the aforementioned amount and transactions between our subsidiaries in the ordinary course of business, no cash were transferred between us, our subsidiaries, the variable interest entity or its subsidiaries.

In 2022, 2023 and 2024, no assets other than cash were transferred between our Cayman Islands holding company and a subsidiary, a variable interest entity or its subsidiary, no subsidiaries paid dividends or made other distributions to the holding company, and no dividends or distributions were paid or made to U.S. investors.

Pursuant to the Exclusive Technical Service Agreement between our wholly owned Chinese mainland subsidiaries and the variable interest entity, the amount of service fee shall be calculated in such manner as determined by both the variable interest entity and our wholly owned Chinese mainland subsidiaries from time to time based on the nature of service and paid monthly. Considering the future operating and cashflow needs of the variable interest entity, for the years ended December 31, 2022, 2023 and 2024, our wholly owned Chinese mainland subsidiaries agreed not to charge any service fees from the variable interest entity. As a result, no payments were made by the variable interest entity under this agreement.

For details of the financial position, cash flows, and results of operations of the consolidated variable interest entity, see “Item 3. Key Information—Financial Information Related to the Consolidated Variable Interest Entity” and pages F-26 to F-29 of this annual report on Form 20-F.

Cash Flows and Working Capital

We fund our operations primarily through our available cash in hand as well as cash generated from our operating, financing and investing activities. As of December 31, 2022, 2023 and 2024, we had RMB58.1 million, RMB45.2 million and RMB10.9 million (US$1.5 million), respectively, in cash and cash equivalents. The decrease in cash and cash equivalents from 2023 to 2024 was primarily due to continued cash outflow in connection with operating activities and administrative expenses. The decrease in cash and cash equivalents from 2022 to 2023 was primarily due to continued cash outflow in connection with operating activities and administrative expenses.

We had an accumulated deficit of approximately RMB4,430.2 million (US$606.9 million) as of December 31, 2024. Our total current assets exceeded total current liabilities as of the same date. We generated negative cash flow from operating in 2024. However, we believe our current cash and cash equivalents and positive working capital position as of December 31, 2024, and as of the filing date of this annual report are sufficient to meet our current obligation payments for the next twelve months plus a day from the filing date of this annual report.

To meet our working capital needs, we are also considering multiple alternatives, including, but not limited to, additional equity and debt financing, as described below. We may incur losses, negative cash flows from operating activities and negative working capital position in the future. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—We may incur losses, negative cash flows from operating activities and negative working capital position in the future.”

Additional Equity and Debt Financing

On January 25, 2021, we entered into a purchase agreement with the holding entities of several investors in the cryptocurrencies mining industry, including Jianping Kong, the former Director and Co-Chairman of Canaan Inc. (Nasdaq: CAN), a Bitcoin mining machine manufacturer listed on Nasdaq, Qifeng Sun, Li Zhang and Enguang Li. Pursuant to the purchase agreement, we issued 8,108,100 Class A ordinary shares in aggregate at US$0.1233 per Class A ordinary share and 207,891,840 warrants in aggregate, each warrant representing the right to purchase one Class A ordinary share, to the investors in February 2021. The warrants were divided into four equal tranches. The exercise price of each of the warrants in the first three tranches was US$0.1233 per Class A ordinary share while the exercise price of each of the warrants in the fourth tranche was US$0.2667 per Class A ordinary share. The warrants were only exercisable upon the satisfaction of certain conditions in connection with our market capitalization. In addition, the third tranche would be automatically forfeited with nil consideration if the second tranche fails to become exercisable within certain specified timeframe and the fourth tranche would be automatically forfeited with nil consideration if the second and third tranches fail to become exercisable within certain specified timeframe. We had the option to request the investors to make payment of the purchase price and the exercise price for the warrants in cash, cryptocurrencies or a combination of both. The investors were entitled to collectively appoint one director to our board of directors. The appointment right would automatically terminate on the later of (i) the third anniversary of the closing date, i.e., January 25, 2024, and (ii) the date on which the investors collectively hold less than 5% of our total number of ordinary shares on a fully diluted basis. The transaction was closed in February 2021 and we issued 8,108,100 Class A ordinary shares for total purchase price of US$1.0 million fully in cash. As of the date of this annual report, none of the warrants was exercised. On July 15, 2022, we entered into a cancellation agreement with JPKONG LTD. and Qifeng Sun Ltd., entities controlled by Mr. Jianping Kong and Mr. Qifeng Sun, respectively, to cancel the fourth tranche, which represented warrants issued to JPKONG LTD. to purchase 23,099,093 Class A ordinary shares at the exercise price of US$0.2667 per Class A ordinary share and warrants issued to Qifeng Sun Ltd. to purchase 11,549,547 Class A ordinary shares at the exercise price of US$0.2667 per Class A ordinary share. The cancellation would not affect the terms or conditions of the other three tranches. As of the date of this annual report, the remaining warrants had expired.

In February 2021, we entered into a standby equity distribution agreement with YA II PN, LTD., a Cayman Islands exempt limited partnership managed by Yorkville Advisor Global, LP, pursuant to which we would be able to sell up to US$100.0 million of our ADSs, each ADS representing thirty Class A ordinary shares then, solely at our request at any time during the 36 months following the date of the standby equity distribution agreement. Yorkville Advisor Global, LP agreed that, during the term of the standby equity distribution agreement, neither Yorkville Advisor Global, LP nor its affiliates would engage in any short sales or hedging transactions with respect to our Class A ordinary shares or ADSs. On August 27, 2021, we and Yorkville Advisor Global, LP agreed to terminate the standby equity distribution agreement and entered into a new standby equity distribution agreement. We did not issue any securities pursuant to the original standby equity distribution agreement. Pursuant to the new standby equity distribution agreement, we would be able to sell up to US$100.0 million of its ADSs solely at our request at any time during the 36 months following the date of the new standby equity distribution agreement. In November 2021, we offered 968,718 ADSs, representing 29,061,540 Class A ordinary shares, par value of $0.01 per share. On November 17, 2021, we sent the first advance notice to the purchaser for an aggregate amount of $10 million. The aggregate purchase price of the ADSs was $9,600,000 and the purchase price per ADS was $9.91. As of the date of this annual report agreement has expired.

In March 2021, we issued and sold a one-year convertible note in a principal amount of US$20,000,000 to Streeterville for an aggregate consideration of US$20,000,000. In addition, we were obligated to issue certain number of ADSs to Streeterville as transaction cost. The convertible note bears interest at a rate of 6.0% per year, computed on the basis of a 360-day year. Streeterville has the right, at any time after six months have elapsed since the purchase date until the outstanding balance has been paid in full, at its election, to convert all or any portion of the outstanding balance into ADSs of our company at an initial conversion price per ADS calculated as 90% of the lower of (a) the average of the closing trade prices during the five trading days immediately preceding the date of the conversion, and (b) the closing trade price on the trading day immediately preceding the date of the conversion. Beginning on the date that is six months from the note purchase date, Streeterville has the right, exercisable at any time in its sole and absolute discretion, to redeem any portion of the convertible note up to US$3,360,000 per calendar month. Payment of the redemption amount could be in cash or our ADSs. In January 2023, we and Streeterville entered into an amendment to the promissory note to extend the maturity of the convertible note to March 17, 2024, and the extension fee is 4% of the outstanding balance of the note. As of the date of this annual report, the convertible note has been fully repaid. From July 2023 to November 2024, we issued 209,184,960 Class A ordinary shares in aggregate to Streeterville for repayment of the convertible note.

On March 31, 2021, we entered into an underwriting agreement with Maxim Group LLC, as the representative of several underwriters. In April 2021, we completed an offering of 3,765,100 ADSs, each representing thirty Class A ordinary shares, and warrants to purchase 2,823,825 ADSs, at a public offering price of US$33.20 per ADS and accompanying 0.75 of a warrant. The warrants offered in this offering has a term of three years and are exercisable by the holder at US$36.00 per ADS at any time after the date of issuance. The underwriter exercised its over-allotment option that we granted to it and we further issued and sold 564,760 ADSs, each representing thirty Class A ordinary shares, and warrants to purchase 423,574 ADSs to cover over-allotments. The aggregate net proceeds from this offering was approximately US$135.1 million, after deducting underwriting discounts and commissions and offering expenses. As of the date of this annual report, the remaining warrants had expired.

In August 2022, we issued and sold a one-year convertible note in a principal amount of US$5,500,000 to Streeterville for an aggregate consideration of US$4,985,000. The note carries an original issue discount of $500,000.00. The convertible note bears interest at a rate of 6.0% per year, computed on the basis of a 360-day year. Streeterville has the right, at any time after six months have elapsed since the purchase date until the outstanding balance has been paid in full, at its election, to convert all or any portion of the outstanding balance into ADSs of our company at an initial conversion price per ADS calculated as 90% of the lower of (a) the average of the closing trade prices during the five trading days immediately preceding the date of the conversion, and (b) the closing trade price on the trading day immediately preceding the date of the conversion. Beginning on the date that is six months from the note purchase date, Streeterville has the right, exercisable at any time in its sole and absolute discretion, to redeem any portion of the convertible note up to US$840,000 per calendar month. Payment of the redemption amount could be in cash or our ADSs. As of the date of this annual report, we had fully repaid the note.

In November 2023, we closed a private placement securities purchase transaction with Bripheno Pte. Ltd., a Singapore limited liability company, pursuant to which we sold and issued (i) 150,000,000 Class A ordinary shares (equivalent to 500,000 ADSs) at a price of US$12 per ADS, (ii) two-year 3% per annum convertible promissory note at the purchase price of US$6 million with the conversion price of US$15 per ADS, and (iii) warrants to purchase an aggregate of 120,000,000 Class A ordinary shares (equivalent to 400,000 ADSs) at an exercise price of US$60 per ADS. The warrants would expire in three years from the date of issuance unless parties agree in writing to extend the term for an additional one year. These securities were subject to a six-month lock up period. We raised a total of US$12 million as the aggregate consideration for the securities.

In May 2024, we agreed and signed a private placement agreement with Fine Vision Fund, established by Finewill Capital, an internationally renowned investment institution, pursuant to which Fine Vision Fund would invest US$3.5 million to us, with upfront investment of US$2.5 million and second installment of US$1.0 million based on a pre-agreed condition. We would issue Class A ordinary shares to Fine Vision Fund. The value of each share for the upfront investment equals to 15.6% premium on the average closing price over the thirty consecutive trading days prior to the signing of the agreement. The value of each share for the second installment equals to 25% premium on the average closing price over the thirty consecutive trading days prior to the fulfillment of the pre-agreed condition. These shares to be issued are subject to the statutory lock-up period.

In February 2025, we issued and sold a one-year convertible note in a principal amount of US$3,300,000 to Streeterville for an aggregate consideration of US$2,995,000. The note carries an original issue discount of $300,000.00. The convertible note bears interest at a rate of 6.0% per year, computed on the basis of a 360-day year. Streeterville has the right, at any time after six months have elapsed since the purchase date until the outstanding balance has been paid in full, at its election, to convert all or any portion of the outstanding balance into ADSs of our company at an initial conversion price per ADS calculated as 90% of the lower of (a) the average of the closing trade prices during the five trading days immediately preceding the date of the conversion, and (b) the closing trade price on the trading day immediately preceding the date of the conversion. Beginning on the date that is six months from the note purchase date, Streeterville has the right, exercisable at any time in its sole and absolute discretion, to redeem any portion of the convertible note up to US$500,000 per calendar month. Payment of the redemption amount could be in cash or our ADSs.

In March 2025, we signed a share purchase agreement with Elune Capital Limited, or Elune Capital, a company registered under the laws of British Virgin Islands, pursuant to which we sold and issued to Elune Capital (i) 47,169,600 Class A ordinary shares (equivalent to 157,232 ADSs) for a total consideration price of US$2 million, at the price of US$12.72 per ADS, and (ii) warrants to purchase 141,508,800 Class A ordinary shares (equivalent to 471,696 ADSs) at an exercise price of US$12.72 per ADS. The warrants have an exercise period of two years, and are subject to the following vesting conditions: one-half of the warrants can be exercised after Elune Capital or its business partner signs a strategic cooperation agreement with us, and the other half of the warrants can be exercised after our GameFi platform is launched. We expect that the closing will take place within sixty days after the execution of the share purchase agreement. As of the date of this annual report, this transaction has not been closed.

In March 2025, we signed a share purchase agreement with WEVISION PTE. LTD., or WEVISION, a company registered under the laws of the Republic of Singapore, pursuant to which we sold and issued to WEVISION (i) 23,584,800 Class A ordinary shares (equivalent to 78,616 ADSs) for a total consideration price of US$1 million, at the price of US$12.72 per ADS, and (ii) warrants to purchase 70,754,400 Class A ordinary shares (equivalent to 235,848 ADSs) at an exercise price of US$12.72 per ADS. The warrants have an exercise period of two years and are subject to the following vesting conditions: one-half of the warrants can be exercised after WEVISION or its business partner signs a strategic cooperation agreement with us, and the other half of the warrants can be exercised after our GameFi platform is launched. We expect that the closing will take place within sixty days after the execution of the share purchase agreement. As of the date of this annual report, this transaction has not been closed.

In March 2025, we signed a share purchase agreement with Bripheno Pte. Ltd., Bripheno, pursuant to which we sold and issued to the Bripheno (i) 117,000,000 Class A ordinary shares (equivalent to 390,000 ADSs) for a total consideration price of US$4,960,800, at the price of US$12.72 per ADS, and (ii) warrants to purchase 90,000,000 Class A Shares (equivalent to 300,000 ADSs) at an exercise price of US$60 per ADS. The warrants have an exercise period of two years. As of the date of this annual report, this transaction has been closed.

We may continue to carry out similar equity financing in the future.

Our management believes that we may continue as a going concern and our current funds and working capital in addition to our ability to raise funds will meet the obligations for the next 12 months plus a day. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—We may not be able to obtain additional financing to support our business and operations, and our equity or debt financings may have an adverse effect on our business operations and share price.”

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

	For the Years Ended December 31,			
	2022	2023	2024	
	RMB	RMB	RMB	US$
		(in thousands)		
Net cash used in operating activities	(154,037)	(46,320)	(44,197)	(6,057)
Net cash provided by (used in) investing activities	(249,636)	4,470	(57,018)	(7,811)
Net cash provided by financing activities	33,065	32,465	69,768	9,560
Effect of foreign exchange rate changes on cash and cash equivalents	251	(3,457)	(2,864)	(392)
Net change in cash and cash equivalents	(370,357)	(12,842)	(34,311)	(4,700)
Cash and cash equivalents at the beginning of year	428,421	58,064	45,222	6,195
Cash and cash equivalents at the end of year	58,064	45,222	10,911	1,495

Operating Activities

Net cash used in operating activities was RMB44.2 million (US$6.1 million) in 2024, compared to RMB46.3 million in 2023 and RMB154.0 million in 2022. The decrease in net cash used in operating activities in 2024 was mainly due to cash used in operating activities related to cryptocurrency mining. The decrease in net cash used in operating activities in 2023 was mainly due to the fact that we ceased the operations of the NFT business and its related blockchain-based online game in January 2023.

The net cash used in operating activities in 2024 reflected a net loss of RMB73.6 million (US$10.1 million), primarily due to (i) cryptocurrency mining revenue of RMB110.7 million, (ii) Realized gain on exchange cryptocurrency of RMB 60.8 million, (iii) Change in fair value of cryptocurrency of RMB 48.3 million, partially offset by (i) Payment for operating activities of RMB104.2 million, (ii) Sale of cryptocurrencies for cash of RMB109.0 million, (iii) share-based compensation expense of RMB44.7 million, (vi) Depreciation and amortization of property, equipment and software of RMB 61.5 million, (v) Amortization of discount and interest on convertible notes of RMB 30.3 million.

The net cash used in operating activities in 2023 reflected a net income of RMB12.6 million, primarily due to (i) cryptocurrency mining revenue of RMB168.3 million, (ii) gain on extinguished liabilities of WoW of RMB175.3 million, and (iii) gain on disposal of discontinued operations of RMB158.8 million, partially offset by (i) impairment loss of equipment and intangible assets of RMB161.0 million, (ii) decrease of cryptocurrencies for payment for operating activities and sale of cryptocurrencies for cash of RMB223.7 million, (iii) Depreciation and amortization of property, equipment and software of RMB86.9, and (iv) share-based compensation expense of RMB70.8 million.

The net cash used in operating activities in 2022 reflected a net loss of RMB979.5 million, primarily due to (i) decrease in accrued expense and other current liabilities of RMB71.7 million, (ii) gain from change in fair value of conversion feature derivative liability of RMB37.2 million, and (iii) cryptocurrency mining revenue of RMB97.9 million, partially offset by (i) decrease in prepayments and other current assets of RMB71.3 million, (ii) payment for operating activities of RMB83.4 million, (iii) increase in accounts payable of RMB121.8 million, (iv) share-based compensation expense of RMB202.3 million, (v) impairment loss of equipment, intangible assets of RMB176.9 million, (vi) impairment on advance and other assets of RMB159.2 million, (vii) depreciation and amortization of property, equipment and software of RMB91.4 million, and (viii) impairment of cryptocurrencies of RMB58.6 million.

Investing Activities

Net cash used in investing activities was RMB57.0 million (US$7.8 million) in 2024, which primarily included (i) Purchase of other investment of RMB28.4 million, and (ii) Purchase of equity investment of RMB10.6 million.

Net cash provided by investing activities was RMB4.7 million in 2023, which primarily included (i) proceeds from disposal of other investment of RMB5.2 million, and (ii) refund received from other investment of RMB1.5 million, partially offset by purchase of property, equipment and software of RMB2.1 million.

Net cash used in investing activities was RMB249.6 million in 2022, which primarily included (i) purchase of property, equipment and software of RMB248.8 million, and (ii) purchase of other investments of RMB23.2 million, partially offset by proceeds from (i) proceeds from disposal of other investment of RMB16.6 million, and (ii) refund from received subscribed tokens and other investment of RMB4.5 million.

Financing Activities

Net cash provided by financing activities in 2024 was RMB69.8 million (US$9.6 million), primarily attributable to (i) proceeds from BTC Mortgage loan of RMB87.3 million, (ii) proceeds from equity financing of RMB17.8 million, (iii) Contribution from shareholder 1.1 million, partially offset by (i) repayment of loans from a related party of RMB2.8 million.

Net cash provided by financing activities in 2023 was RMB32.2 million, primarily attributable to the proceeds from issuance of convertible note of RMB85.3 million, partially offset by (i) repayments of convertible notes of RMB42.9 million, and (ii) repayment of loans from a related party of RMB9.5 million.

Net cash provided by financing activities in 2022 was RMB33.0 million, primarily attributable to the proceeds from issuance of convertible note of RMB33.7 million, partially offset by repayment of loans from a related party of RMB2.6 million.

Material Cash Requirements

Our material cash requirements as of December 31, 2024 and any subsequent period primarily include our purchase of mining machines, convertible notes payable and operating lease obligations.

We incurred capital expenditures of RMB248.8 million, RMB2.1 million and nil in 2022, 2023 and 2024, respectively. In 2022, 2023 and 2024, the capital expenditures principally consisted of purchases of cryptocurrency mining machines. We may continue to purchase cryptocurrency mining machines depending on the market situation.

Our convertible notes payable includes the one-year convertible notes in a principal amount of US$20 million issued to Streeterville Capital, LLC and the two-year convertible notes in a principal amount of US$6 million issued to Bripheno Pte. Ltd. If Streeterville Capital, LLC and Bripheno Pte. Ltd. convert the notes or if we choose to repay the notes by issuance of shares, the upcoming cash repayment will be reduced. As of December 31, 2024, we have RMB43.1 million (US$5.9 million) of convertible debt-current.

Our operating lease obligations includes the lease of office space, parking lots and warehouse. As of December 31, 2024, we have RMB2.8 million (US$0.4 million) of current portion of operating lease liabilities and RMB1.6 million (US$0.2 million) of non-current portion of operating lease liabilities.

C. Research and Development, Patents and Licenses, etc.

Our research and development efforts are primarily focused on development of online game related products. Our product development expenses were RMB2.4 million, RMB2.0 million and RMB0.9 million (US$0.1 million) in 2022, 2023 and 2024, respectively.

D. Trend Information

Except as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period beginning on January 1, 2025 and ending on the date of this annual report that are reasonably likely to have a material adverse effect on our net sales or revenues, results of operations, profitability, liquidity or capital resources, or that would cause the reported financial information not necessarily to be indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

We prepare financial statements in conformity with U.S. Generally Accepted Accounting Principles, or **U.S. GAAP**, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements, and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our financial statements as their application assists management in making their business decisions.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported revenues and expenses during the reported periods. The most significant accounting estimates reflected in the Group's consolidated financial statements include allowance for doubtful accounts, assessment of impairment of property, equipment and software, and other long-lived assets, assessment of impairment of advances to suppliers and other advances, incremental borrowing rates for lease assessment, fair value of the warrants, fair value of conversion feature, share-based compensation expenses, consolidation of VIE and its subsidiaries, valuation allowances for deferred tax assets, and contingencies. Such accounting policies are affected significantly by judgments, assumptions and estimates used in the preparation of our consolidated financial statements, and actual results could differ materially from these estimates.

Revenue Recognition

We recognize revenues when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration expected to be entitled to in exchange for those goods or services. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. We do not believe that significant management judgments are involved in revenue recognition. We adopted ASC 606 using the modified retrospective transition approach method, reflecting the cumulative effect of initially applying the standard to revenue recognition as of January 1, 2018. We evaluated all revenue streams to assess the impact of implementing ASC 606 on revenue contracts. The adoption did not have an effect over the consolidated financial statements on the adoption date and no adjustment to prior year consolidated financial statements was required. Under ASC 606, Revenue from contracts with customers, the core principle of the new revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer;

- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when we satisfy a performance obligation.

In order to identify the performance obligations in a contract with a customer, a company must assess the promised goods or services in the contract and identify each promised good or service that is distinct. A performance obligation meets ASC 606's definition of a "distinct" good or service (or bundle of goods or services) if both of the following criteria are met: The customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct), and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

If a good or service is not distinct, the good or service is combined with other promised goods or services until a bundle of goods or services is identified that is distinct.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When determining the transaction price, an entity must consider the effects of all of the following:

- Variable consideration
- Constraining estimates of variable consideration
- The existence of a significant financing component in the contract
- Noncash consideration
- Consideration payable to a customer

Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty arising from the variable consideration is subsequently resolved. The transaction price is allocated to each performance obligation on a relative standalone selling price basis. The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time or over time as appropriate.

Cryptocurrency Mining Revenue

Our cryptocurrency mining revenues are in Bitcoin. We generate our Bitcoin mining revenues through the provision of computing power, or hash rate, in crypto asset transaction verification services to Bitcoin mining pool operators in exchange for non-cash consideration in Bitcoin. The provision of computing power is our sole performance obligation in our agreements with the mining pool operators and is satisfied over time. We are entitled to receive a fractional share of the Bitcoin award (less mining pool fees deducted by the mining pool operator) from the Bitcoin mining pool operators based on the daily computing power provided to the mining pool operators. The contract inception and our enforceable right to compensation begins only when, and lasts as long as, we provide computing power to the mining pool operator on a daily basis. The contract is terminable at any time either by the Company or the mining pool operator without any penalty to either party. As such, the termination option results in a contract that continuously renews and therefore has a duration for accounting purposes of less than 24 hours. However, the continual renewal of the agreement does not represent a material right requiring separate performance obligations, as the contractual payout formula remains the same upon each renewal.

Currently, the Group only participates in a Full-Pay-Per-Share ("FPPS") mining pool. The FPPS payout model of Bitcoin is based on a contractual formula, which primarily calculates the hash rate provided to the mining pool as a percentage of total network hash rate, and other inputs, less mining pool fees. The Group is entitled to compensation once it begins to provide computing power that measures in hash rate to the mining pool operator over a 24-hour period beginning midnight UTC and ending 23:59:59 UTC on a daily basis, which is the same day as the contract inception. The Group recognizes non-cash consideration on the same day that control of the contracted service is transferred to the mining pool operator, which is the same day as the contract inception.

The transaction consideration we received, if any, is noncash consideration in the form of Bitcoin. Changes in the fair value of the noncash consideration after contract inception due to the form of the consideration (changes in the market price of Bitcoin) are not included in the transaction price and, therefore, are not included in revenue.

The consideration is all variable. Because it is probable that a significant reversal of cumulative revenue will not occur and we are able to calculate the payout based on the contractual formula, noncash consideration is recognized based on the spot price of Bitcoin determined using our principal market for Bitcoin at the inception of each contract, which is on a daily basis. Noncash consideration is measured at fair value at contract inception. The fair value of the cryptocurrency consideration is determined using the quoted price per our principal market for Bitcoin at the beginning of the contract period, which is the same day that control of the contracted service is transferred to the mining pool operator. This amount (less mining pool fees deducted by the mining pool operator) is recognized as revenue as hash rate is provided to the mining pool operator.

Online game services

We earn revenue from provision of online game operation services to players on the game servers and third-party platforms and overseas licensing of the online game to other operators. We grant operation right on authorized games, together with associated services which are rendered to the customers over time. We adopt virtual item / service consumption model for the online game services. Players can access certain games free of charge, but many of them purchase game points to acquire in-game premium features. We may act as principal or agent through the various transaction arrangements we entered into.

The determination on whether to record the revenue gross or net is based on an assessment of various factors, including, but not limited to, whether we (i) are the primary obligor in the arrangement; (ii) have general inventory risk; (iii) change the product or perform part of the services; (iv) have latitude in establishing the selling price; and (v) have involvement in the determination of product or service specifications. The assessment is performed for all of the licensed online games.

When acting as principal

Revenues from online game operation operated through telecom carriers and certain online games operators are recognized upon consumption of the in-game premium features based on the gross of revenue sharing-payments to third-party operators, but net of VAT. We obtain revenue from the sale of in-game virtual items. Revenues are recognized when the virtual items are consumed or over the estimated lives of the virtual items, which are estimated by considering the average period that active players and players' behavior patterns derived from operating data. Accordingly, commission fees paid to third-party operators are recorded as cost of revenues.

When acting as agent

With respect to games license arrangements we entered into with third-party operators, if the terms provide that (i) third-party operators are responsible for providing game desired by the game players; (ii) the hosting and maintenance of game servers for running the games are the responsibility of third-party operators; (iii) third-party operators have the right to review and approve the pricing of in-game virtual items and the specification, modification or update of the game we made; and (iv) publishing, providing payment solution and market promotion services are the responsibilities of third-party operators and we are responsible to provide the license of intellectual property and subsequent technical services, then we consider ourselves as an agent of the third-party operators in such arrangement with game players. Accordingly, we record the game revenues from these licensed games, net of amounts paid to the third-party operators.

Licensing revenue

We license our proprietary online games to other game operators and receive license fees and royalty income in connection with their operation of the games. License fee revenue is recognized evenly throughout the license period after commencement of the game, given that our intellectual property rights subject to the license are considered to be symbolic and the licensee has the right to access such intellectual property rights as they exist over time when the license is granted. Monthly revenue-based royalty payments are recognized when the services are delivered, provided that collectability is reasonably assured. We view the third-party licensee operators as our customers and recognize revenues on a net basis, as we do not have the primary responsibility for fulfillment and acceptability of the game services.

Other than Bitcoin, we are also engaged in the mining of Filecoin. We generate Filecoin mining income through provision of computing storage space to the main networks. In exchange for that, we are entitled to receive a fractional share of the Filecoin awards from the main networks.

For Filecoin mining, unlike other cryptocurrency mining, Filecoin mining main network requires miners not only to contribute mining machines with computing storage space, but miners also need to pledge certain amount of Filecoin to the main network to start the Filecoin mining. Then Filecoin main network will continuously reward the miners by Filecoin awards. Upon the end of the mining process, which is typically a 540 days process, the Filecoin main network will release the pledged Filecoin to the miners. We cooperate with a third-party company where we contribute mining machines and the third party contributes Filecoin for pledging to the Filcoin main network. Under this mining cooperation, the Filecoin mined are distributed to the third party ahead of us according to the agreed distribution schedule. Therefore, in the early stage of the 540 days mining process, we did not own any Filecoin. Since it is not probable that a significant reversal of cumulative income will not occur, we do not recognize any Filecoin mining income before we start to own the Filecoin being mined. We started to own the Filecoin being mined from January 1, 2022. We rely on a Filecoin mining company to manage the Filecoin mining instead of managing by itself as the Bitcoin mining operation. We cannot control the timing and quantity if any of Filecoin to receive and earn. Accordingly, we only record Filecoin income as investment income when we actually receive the Filecoin in its cryptocurrency wallet. The Filecoin income is included in other income line item in the accompanying consolidated statements of operations and comprehensive income (loss) in the amount of RMB0.8 million, RMB1.5 million and RMB2.0 million (US$0.3 million) for the years ended December 31, 2022, 2023 and 2024, respectively.

Fair Value of Cryptocurrencies

Effective January 1, 2023, we have elected to early adopt ASU 2023-08. As a result of the adoption of ASU 2023-08, cryptocurrencies are recorded at fair value, and changes in fair value are recognized in change in fair value of cryptocurrencies and in operating income (loss) on the consolidated statements of operations and comprehensive income (loss), as of and for the year ended December 31, 2023 and 2024. We track the cost basis of cryptocurrencies in accordance with the first-in-first-out method of accounting. See note <10> to our consolidated financial statements, which are included in this annual report, for further information regarding the impact of the adoption of ASU 2023-08 on us.

Income Taxes

We account for income taxes under the asset and liability method. Deferred taxes are determined based upon the differences between the carrying value of assets and liabilities for financial reporting and tax purposes at currently enacted statutory tax rates for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period of change.

A valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that such deferred tax assets will not be realized. The total income tax provision includes current tax expenses under applicable tax regulations and the change in the balance of deferred tax assets and liabilities. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including our ability to generate taxable income within the period during which the temporary differences reverse or our tax loss carry forwards expire, the outlook for the PRC economic environment, and the overall future industry outlook. We consider these factors in reaching our conclusion on the recoverability of the deferred tax assets and determine the valuation allowances necessary at each balance sheet date.

We recognize the impact of an uncertain income tax position at the largest amount that is more-likely-than-not to be sustained upon audit by the tax authority. Income tax related interest is classified as interest expenses and penalties as income tax expense. As of December 31, 2022, 2023 and 2024, we did not have any material liability for uncertain tax positions. Our policy is to recognize, if any, tax-related interest as interest expenses and penalties as income tax expenses. For the year ended December 31, 2022, 2023 and 2024, we did not have any material interest and penalties associated with tax positions.

In recent years, the rise of cryptocurrency prices and transaction volume has attracted the attention of tax authorities. As the laws governing cryptocurrencies are still evolving, the tax treatment of cryptocurrencies in various jurisdictions are subject to change. While some countries intend to or have imposed taxation on cryptocurrency assets and transactions, other tax authorities are silent. As there is considerable uncertainty over the taxation of cryptocurrencies, we cannot guarantee that the cryptocurrency assets and transactions denominated in cryptocurrencies will not be subject to further taxation in the future, including, but not limited to, additional taxes and increased tax rate. These events could reduce the economic return of cryptocurrency and increase the holding costs of cryptocurrency assets, which could materially and adversely affect the businesses and financial performances of our cryptocurrency mining business, and in turn could have a material adverse effect on our business and results of operations.

We may be subject to various tax obligations associated with mining in countries where we have hosting agreements for our machines in the future, including the so-called tax on mining in Kazakhstan, effectively a surcharge on the electricity price per kW/h.

Share-Based Compensation

We have granted share-based compensation awards to certain employees, directors and consultants under several equity plans. We measure the cost of employee services received in exchange for an equity award, based on the fair value of the award at the date of grant. Share-based compensation expense is recognized net of estimated forfeitures, determined based on historical experience. We recognize share-based compensation expense over the requisite service period. For performance and market-based awards which also require a service period, we use graded vesting over the longer of the derived service period or when the performance condition is considered probable. We determine the grant date fair value of stock options using a Black-Scholes Model with assumptions made regarding expected term, volatility, risk-free interest rate, and dividend yield. The fair value of the stock options containing a market condition is estimated using a Monte Carlo simulation model. For options awarded by our private subsidiaries, the fair value of shares is estimated based on the equity value of the subsidiary. We evaluate the fair value of the subsidiary by making judgments and assumptions about the projected financial and operating results of the subsidiary. Once the equity value of the subsidiary is determined, it is allocated (as applicable) into the various classes of shares and options using the option-pricing method, which is one of the generally accepted valuation methodologies. On January 1, 2019, we adopted ASU 2018-07, Compensation—Stock Compensation (Topic 718): Improvement to Nonemployee Share-based Payment Accounting, or **ASU 2018-07**, to amend the accounting for share-based payment awards issued to nonemployees. Under ASU 2018-07, the accounting for awards to non-employees is similar to the model for employee awards.

The expected term represents the period of time that stock-based awards granted are expected to be outstanding. The expected term of stock-based awards granted is determined based on historical data on employee exercise and post-vesting employment termination behavior. Expected volatilities are based on historical volatilities of our ADSs. Risk-free interest rate is based on United States government bonds issued with maturity terms similar to the expected term of the stock-based awards.

We recognize compensation expense, net of estimated forfeitures, on all share-based awards on a straight-line basis over the requisite service period, which is generally a two-to-three-year vesting period or in the case of market-based awards, over the greater of the vesting period or derived service period. Forfeiture rate is estimated based on historical forfeiture patterns and adjusted to reflect future changes in circumstances and facts, if any. If actual forfeitures differ from those estimates, the estimates may need to be revised in subsequent periods. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest.

For stock option modifications, we compare the fair value of the original award immediately before and after the modification. For modifications, or probable-to-probable vesting conditions, the incremental fair value of fully vested awards is recognized as expense on the date of the modification, with the incremental fair value of unvested awards recognized ratably over the new service period.

While we paid a discretionary cash dividend in January 2009, we do not anticipate paying any recurring cash dividends in the foreseeable future.

In February 2021, our board of directors and board committees authorized and approved the issuance of an aggregate number of 33,090,000 Class A ordinary shares of our company to certain directors, executive officers, employees and consultants of our company as share incentive awards for their services to us pursuant to the Option Plan. Among those Class A ordinary shares grants, 32,190,000 shares were restricted Class A ordinary shares, subject to restrictions on transferability to be removed upon the satisfaction of the conditions that half of the restricted shares should vest if our market capitalization reaches US$400 million and the other half should vest if our market capitalization reaches US$500 million. We also granted 900,000 restricted Class A ordinary share units to our directors which are immediately vested and issued the same number of shares.

In September 2021, our board of directors and board committees authorized and approved the issuance of an aggregate number of 44,290,560 Class A ordinary shares of our company to certain directors, executive officers, employees and consultants of our company as share incentive awards for their services to us pursuant to the Option Plan. Among those Class A ordinary shares grants, 44,290,560 shares were restricted Class A ordinary shares, subject to the following vesting condition: restricted shares shall vest within two years, i.e., 1/24th of all restricted share grants shall vest on the last day of each month after the date of the grant. We also granted 4,950,000 restricted Class A ordinary share units to our directors which are immediately vested and issued the same number of shares.

In September 2023, our board of directors and board committees authorized and approved the issuance of an aggregate number of 214,650,000 Class A ordinary shares of our Company (equivalent to 715,500 ADSs) as the share incentive awards granted to our directors, officers and employees pursuant to the Option Plan. The 205,200,000 Class A ordinary shares issued in the form of the restricted shares to our executive officers and employees are subject to a three-year vesting schedule and lock-up restrictions, provided that the second-year and the third-year tranches of the restricted share grants shall be released from the lock-up restrictions only upon the satisfaction of certain pre-agreed performance targets. The remaining 9,450,000 Class A ordinary shares were issued in the form of the restricted share units to our independent directors as part of their compensation for their services as our independent directors for the next three years.

In March 2025, our board of directors and board committees authorized and approved the issuance of an aggregate number of 450,000,000 Class A ordinary shares (equivalent to 1,500,000 ADSs) pursuant to the Option Plan. 450,000,000 Class A ordinary shares were issued in the form of restricted shares to our directors, officers and employees. All such Class A ordinary shares are subject to a three-year vesting schedule and lock-up restrictions i.e. 1/36 portion of the respective shares shall vest on the last day of each calendar month following the date of the grant.

In June, October and December 2024, and February 2025, respectively, our board of directors and board committees authorized and approved the issuance of an aggregate number of 81,126,600 Class A ordinary shares (equivalent to 270,422 ADSs) pursuant to the Option Plan to various consultants as compensation for their services in connection with the development of online business. In addition, we have issued an aggregate number of 34,128,300 Class A ordinary shares which are subject to the statutory lock-up conditions, to the various consultants as compensation for their services in connection with the development of online business.

Share-based compensation expenses of RMB202.3 million, RMB70.8 million and RMB44.7 million (US$6.1 million) were recognized for the year ended December 31, 2022, 2023 and 2024, respectively, for options and restricted shares granted to our company's and its subsidiaries' employees and directors.

Allowance for doubtful accounts

Starting from January 1, 2020, we adopted Accounting Standards Update, or **ASU No. 2016-13**. Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, or **ASU 2016-13**, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost and is codified in Accounting Standards Codifications, or **ASC**, Topic 326, Credit Losses, or **ASC 326**. ASU 2016-13 replaces the existing incurred loss impairment model and introduces an expected loss approach with macroeconomic forecasts referred to as a current expected credit losses, or **CECL**, methodology which will result in more timely recognition of credit losses. There was no significant impact on its consolidated financial statements and related disclosures as a result. Under the incurred loss methodology, credit losses are only recognized when the losses are probable of having been incurred. The CECL methodology requires that the full amount of expected credit losses for the lifetime of the financial instrument be recorded at the time it is originated or acquired, considering historical experience, current conditions and reasonable and supportable macroeconomic forecasts that affect the collectability of financial assets, and adjusted for changes in expected lifetime credit losses subsequently, which may require earlier recognition of credit losses.

Accounts receivable mainly consist of receivables from third-party game platforms, and other receivables, which are included in prepayments and other current assets, both of which are recorded net of allowance for doubtful accounts. We determine the allowances for doubtful accounts when facts and circumstances indicate that the receivable is unlikely to be collected. Allowances for doubtful accounts are charged to general and administrative expenses. We provided an allowance for doubtful accounts of RMB20.8 million, RMB17.8 million and nil for the years ended December 31, 2022, 2023 and 2024, respectively. We wrote off an amount of RMB3.8 million, RMB 0.1 million and RMB 0.8 million for the years ended December 31, 2022, 2023 and 2024, respectively.

Impairment of long-lived assets

We evaluate its long-lived assets, including finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or that the useful life is shorter than the Group had originally estimated. We assess the recoverability of the long-lived assets by comparing the carrying amount to the estimated future undiscounted cash flow expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, we would recognize an impairment loss based on the fair value of the assets.

Indefinite-lived intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the intangible asset to its carrying amount. If the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to that excess. Impairment charges relating to equipment amounting to RMB176.9 million, RMB161.0 million and RMB6.5 million (US$0.9 million) were recognized in 2022, 2023 and 2024, respectively.

Consolidation of Variable Interest Entity, or VIE

Historically majority of our revenues was derived from online game operation in the Chinese mainland. Laws and regulations of the Chinese mainland, including the GAPP Circular and the Administrative Measures on Network Publication prohibit or restrict foreign ownership of online game related businesses. We believe, consistent with the view of our PRC legal counsel that our structure complies with these foreign ownership restrictions, subject to the interpretation and implementation of the GAPP Circular and the Administrative Measures on Network Publication. Specifically, we operated our online game business through Shanghai IT and have entered into a series of contractual arrangements with Shanghai IT and its equity owners. As a result of these contractual arrangements, we are entitled to receive service fees for services provided to Shanghai IT for an amount determined at our discretion, up to 90% of Chinese mainland entities' profits. In addition, the equity owners of record for these entities have pledged all their equity interests in the VIE to us as collateral for all of their payments due to the wholly owned foreign enterprise, or **WFOE**, and to secure performance of all obligations of the VIE and their shareholders under various agreements. In addition, the agreements provide that any dividend distributions made by the VIEs, if any, are required to be deposited in an escrow account over which we have exclusive control. Moreover, through the Call Option Agreements and Shareholder Voting Proxy Agreements, each shareholder of the VIE granted WFOE or any third parties designated by the WFOE an irrevocable power of attorney to act on all matters pertaining to the VIE. We believe that the terms of the Call Option Agreements are currently exercisable and legally enforceable under the laws and regulations of the Chinese mainland. We also believe that the minimum amount of consideration permitted by the applicable laws of the Chinese mainland to exercise the options does not represent a financial barrier or disincentive for us to exercise our rights under the Call Option Agreements. A simple majority vote of our board of directors is required to pass a resolution to exercise our rights under the Call Option Agreements, for which consent of the shareholder of the VIE is not required. As a result of the totality of these arrangements, we have both the power to direct activities that most significantly impact the VIE economic performance and the obligation to absorb losses of or right to receive benefits from the VIE that are significant to Shanghai IT. As a result, we concluded we are the primary beneficiary of Shanghai IT and as such Shanghai IT is consolidated VIE of our company. Since the beginning of 2021, we have changed our business focus from online games to the blockchain industry, including the operation of cryptocurrency mining. We expect going forward that a majority of our revenues will be sourced outside of the Chinese mainland, and the revenues to be recorded in the variable interest entity will be minimal.

Refund of WoW Game Points

As a result of the loss of the World of Warcraft, or WoW license on June 7, 2009, we announced a refund plan in connection with inactivated WoW game point cards, which we recorded as refund of game points. According to the plan, inactivated WoW game point card holders are eligible to receive a cash refund from us. We recorded a liability in connection with both inactivated points cards and activated but unconsumed point cards of approximately RMB201 million.

Upon the loss of the WoW license, we concluded the nature of the obligation substantively changed from deferred revenue, for which we had the responsibility to satisfy the underlying performance obligation, to an obligation to refund players for their unconsumed points. We have accounted for this refund liability by applying the derecognition guidance specified in ASC 405-20. In accordance with this guidance, the refund liability associated with these WoW game points, to the extent not refunded, shall be recorded as other operating income after we is legally released from the obligation to refund amounts under the applicable laws. In 2012, after consultation with its legal counsel, we concluded the legal liability relating to the inactivated WoW game point cards was extinguished in September 2011 on the basis that the legal liability lapsed two years from the date we publicly announced the refund policy that applied to these cards. Accordingly, the associated liability amounting to RMB26 million was recognized as other operating income for the year ended December 31, 2011.

The remaining refund liability relating to the activated but unconsumed WoW game points amounted to nil, the remaining advance from customer about WoW amounted to nil. Albeit the fact that there has been no claim of refund for more than 10 years, we previously took a conservative approach and decided that we would not be released from this liability until 2029 unless we publicly announce a refund policy. In 2023, the successor of the WoW game license in China also ceased the operation of WoW in China. To our knowledge, there has been no noticeable public complaint relating to refund. We then reconsidered whether it is still reasonable to keep the refund liability on the balance sheet. We believe that the likelihood as to certain gamer comes to us to claim unconsumed WoW game points is remote, primarily because (i) back to the years when we operated WoW, the majority of our sale of WoW game points was through physical game cards as the electronic payment system in China was not well-developed like these days; it is unlikely that gamers still keep any physical WoW game cards, (ii) there has not been any occurrence of refund claim in more than 10 years since we ceased the operation of WoW game, and due to the inactivity, we already disposed the computer servers that were used to store the operating data of the WoW game for cost considerations, and (iii) when the successor of the WoW game license in China took over the WoW game, it allowed the gamers to keep their unconsumed WoW game points and transited to its domain, which also makes it unlikely for gamers to claim refunds from us after all these years.

We engaged an external legal counsel to look into this matter, analyzed different scenarios regarding such potential claims from different parties against us. Based on their legal opinion, for all who may have the right to claim the refund from us, the statute of limitations applicable to their claims have expired, there are no other statutory circumstances of suspension or interruption of the statute of limitations. Therefore, there is no need to apply the protection of the maximum statute of limitations of 20 years, and these potential plaintiffs had lost the right to win the lawsuit. The external legal counsel further concluded that these potential plaintiffs had been unable to realize their claims through legal means and that the debt between these subjects and we had been extinguished from the legal point of view. Therefore, under ASC 405, we derecognized such liability and recognized the gain on extinguished liabilities of WoW of RMB175.3 million (US$24.7 million) as of and for the year ended December 31, 2023.

Convertible Notes and Beneficial Conversion Feature

We have issued convertible notes and warrants in November 2023. We have evaluated whether the conversion feature of the notes is considered an embedded derivative instrument subject to bifurcation in accordance with ASC 815, Accounting for Derivative Instruments and Hedging Activities. Based on our evaluation, the conversion feature is not considered an embedded derivative instrument subject to bifurcation as conversion option does not provide the holder of the notes with means to net settle the contracts. Convertible notes, for which the embedded conversion feature does not qualify for derivative treatment, are evaluated to determine if the effective rate of conversion pursuant to the terms of the convertible note agreement is below market value. In these instances, the value of the beneficial conversion feature is determined as the intrinsic value of the conversion feature, which is recorded as deduction to the carrying amount of the notes and credited to additional paid-in-capital. For convertible notes issued with detachable warrants, a portion of the note's proceeds is allocated to the warrant based on the fair value of the warrants as of the date of issuance. The allocated fair values for the warrants and beneficial conversion feature are both recorded in the financial statements as debt discounts from the face amount of the notes, which are then accreted to interest expense over the life of the related debt using the effective interest method.

We present the occurred debt issuance costs as a direct deduction from the convertible notes. Amortization of the costs is reported as interest expense.

Upon the extinguishment of the convertible notes, the reacquisition price is allocated to the repurchased beneficial conversion feature measured at the intrinsic value as of the extinguishment date, the residual amount allocated to convertible debt. The difference between the reacquisition price of convertible debt and the net carrying amount of the extinguished convertible debt is recognized as gain or loss in the statement of operations and comprehensive (loss) gain of the period of extinguishment.

Warrants

We account for the warrants issued in connection with equity-linked instrument under authoritative guidance on accounting from ASC 480, Distinguishing Liabilities from Equity and ASC 815, Derivatives and Hedging. We classify warrants in its consolidated balance sheet as a liability or equity based on the nature and characteristics of each warrant issued. For those warrants classified as equity, there is no remeasurement to the warrants after initial recognition. For those warrants classified as liability, the proceeds are allocated first to the liability classified warrants at the full fair value then the remaining proceeds allocated to the equity instruments offered. The warrants are initially recognized on its fair value as of issuance date then remeasured at each reporting period and adjusted to fair value. The changes in the fair value of the warrant liability are recorded in the income of the period.

Ordinary shares contingently redeemable

Ordinary shares contingently redeemable are the restricted shares issued by us with repurchase clauses. Our consideration shares issued are redeemable and are presented as a temporary equity in the mezzanine section of the balance sheet.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Jun Zhu	58	Director, Chairman of the Board and Chief Executive Officer
Davin A. Mackenzie(1) (2)	64	Independent Director
Kwok Keung Chau(1) (2)	48	Independent Director
Ka Keung Yeung(1) (2)	66	Independent Director
George Lai (Lai Kwok Ho)	48	Director and Chief Finance Officer
Gary Gao (Gao Yan)	42	Chief Operating Officer

Notes:

(1) Member of Audit Committee.

(2) Member of Compensation Committee.

Biographical Information

Jun Zhu is one of our co-founders. He has served as the chairman of our board of directors and chief executive officer since our inception. Prior to founding our company, Mr. Zhu co-founded Flagholder New Technology Co. Ltd., an information technology company based in China, in 1997, and served as its director from 1997 to 1999. From 1993 to 1997, Mr. Zhu worked at QJ (U.S.A.) Investment, Ltd., a trading company in the United States. Mr. Zhu attended an undergraduate program at Shanghai Jiaotong University.

Davin A. Mackenzie has served as our independent director since July 2005. From August 2017 to September 2022, Mr. Mackenzie was the General Manager of Greater China for Scape, a developer and operator of purpose-build student accommodation. From December 2018 to December 2021, he was the Managing Director – Asia Pacific for the Madison Sports Group and the promoter of the Six Day series of track cycling events. Mr. Mackenzie was a consultant of Spencer Stuart Beijing Office, a renowned global executive search company, from 2012 to 2016. From 2009 to 2011, Mr. Mackenzie was the Beijing representative of Brocade Capital Limited, a private equity advisory firm that he founded in 2009. From 2008 to 2009, Mr. Mackenzie was the managing director and Beijing representative of Arctic Capital Limited, a pan-Asia private equity advisory firm. Between 2000 and 2008, Mr. Mackenzie held the same positions in Peak Capital LLC, another private equity investment and advisory firm that focuses on the China market. Prior to Peak Capital, Mr. Mackenzie worked with the International Finance Corporation, a private sector arm of The World Bank Group, for seven years, including four years as the resident representative for China and Mongolia. Mr. Mackenzie has also worked at Mercer Management Consultants in Washington, D.C., and at First National Bank of Boston in Taiwan. Mr. Mackenzie received a bachelor's degree in Government from Dartmouth College. He received a master's degree in international studies and an MBA degree from the Wharton School of Business at the University of Pennsylvania. Mr. Mackenzie has also completed the World Bank Executive Development Program at Harvard Business School.

Kwok Keung Chau has served as our independent director since October 2015. Currently, he serves as chief financial officer of Laekna, Inc. (a company listed on the Stock Exchange with stock code: 2105.HK) since January 2024 and is responsible for overall financial planning and management, coordination of investors relations and corporate governance related works. Prior to joining Laekna, Inc., Mr. Chau served as an executive director and the chief financial officer of BetterLife Holding Limited (SEHK: 06909) from September 2020 to January 2024 and Comtec Solar Systems Group Limited (SEHK: 00712) from November 2007 to January 2020. Mr. Chau also acted as a member of supervisory board of RIB Software AG (symbol: RIB), a software company in Germany, which was listed on the Frankfurt Stock Exchange, from May 2010 to June 201 3. He was also appointed as (i) an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd (SEHK: 06198; SSE: 601298) from May 2014 to May 2019; (ii) an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Ltd (SEHK: 02779) from October 2017 to November 2022; (ii) an independent non-executive director of China Tobacco International (HK) Company Limited (SEHK: 06055) from December 2018 to May 2024; (iv) an independent non-executive director of Bank of Zhangjiakou Co, Ltd (張家口銀行股份有限公司) since April 2020; (v) an independent non-executive director and the chairman of the audit committee of Suzhou Basecare Medical Corporation Limited (SEHK: 02170) from October 2021 to June 2023; (vi) an independent non-executive director and the chairman of the audit committee of China Infrastructure and Logistics Group Limited (SEHK: 01719) since May 2022; and (vii) an independent non-executive director and the chairman of the audit committee of Laekna, Inc. (SEHK: 02105) from June 2023 to January 2024. Mr. Chau has been a member of the Association of Chartered Certified Accountants (ACCA) since June 2002, a Chartered Financial Analyst of CFA Institute since September 2003 and a member of Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2005. Mr. Chau has been a fellow member of the Institute of Public Accountants (lPA) of Australia and Institute of Financial Accountants (IFA) since June 2020. Mr. Chau received a bachelor's degree in Business Administration from the Chinese University of Hong Kong in December 1998.

Ka Keung Yeung has served as our independent director since July 2005. Mr. Yeung also serves as a director of Phoenix New Media Limited (NYSE: FENG), a subsidiary of Phoenix Media Investment (Holdings) Ltd. (Phoenix TV), of which he serves as the chief financial officer, company secretary and qualified accountant. Mr. Yeung joined Phoenix TV in March 1996 and is in charge of all its internal and external financial management and arrangements and also supervises administration and personnel matters. Mr. Yeung graduated from the University of Birmingham in the United Kingdom and is qualified as a chartered accountant. Upon returning to Hong Kong, he worked at Hutchison Telecommunications and STAR in the fields of finance and business development.

George Lai has served as our chief financial officer since July 2008 and our director since January 2016. Currently, he also serves as an independent non-executive director and the chairman of the compensation committee of Qingdao Port International Co., Ltd. (SEHK: 06198), and an independent director, a member of the Board's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, and a chairman of the Board's Audit Committee of DDC Enterprise Limited (NYSE Amex: DDC). Prior to joining us, Mr. Lai worked for Deloitte Touche Tohmatsu since 2000. Mr. Lai worked in several different Deloitte offices, including Hong Kong, New York and Beijing. During his eight years at Deloitte, Mr. Lai played key roles in the audit function in a number of IPO projects in the United States and China. He also assisted public companies in the United States, Hong Kong and China with a wide range of accounting matters. Mr. Lai received his bachelor of business administration, with a focus in professional accountancy, from the Chinese University of Hong Kong. Mr. Lai holds various accounting professional qualifications, including from AICPA, FCCA and HKICPA.

Gary Gao (Gao Yan) is our chief operating officer, responsible for developing the online gaming business and growing the gaming joint venture companies. Gary holds a bachelor's degree in computer science from the University of Posts & Telecommunications, Xi'an, China. He founded and co-founded multiple online game operating companies, including I98K Limited in Hong Kong, and Beijing Kuwandongxi Technology Co. Ltd. He served as the director of the board at UAB "Glocash Payment", a company based in Vilnius, Lithuania from March 2016 to March 2019. He also previously was The9's senior director in charge of mobile business operations based in Shanghai from August 2013 to February 2016.

B. Compensation

Compensation of Directors and Executive Officers

For the year ended December 31, 2024, the aggregate cash compensation paid or payable to our executive officers and non-executive directors for their services in 2024 was approximately RMB4.6 million (US$0.6 million) and RMB1.7 million (US$0.2 million), respectively. No director or executive officer is entitled to any severance benefits upon termination of his or her employment with or appointment by our company. With respect to compensation in the form of share incentive awards, see "—Share Incentive Plan."

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon three-month advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction governing the employment agreements. The executive officer may resign at any time with a three-month advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of, or hire or engage any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination, without our express consent.

We have entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we may agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

Share Incentive Plan

Eleventh Amended and Restated 2004 Stock Option Plan

Our board of directors and our shareholders have adopted and approved the 2004 Stock Option Plan, as amended and restated, or the **Option Plan**, in order to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to employees, directors and consultants and to promote the success of our business. The Option Plan was amended and restated in December 2006, November 2008, August 2010, November 2010, November 2015, August 2016, June 2017, December 2018, August 2021, April 2023 and December 2024.

Under the Eleventh Amended and Restated 2004 Stock Option Plan, the maximum aggregate number of Class A ordinary shares that may be issued pursuant to awards is 2,050,000,000. As of March 28, 2025, no option to purchase Class A ordinary shares under the Option Plan was outstanding and 887,653,200 restricted shares were issued upon the grant of restricted shares and the vesting of restricted share units.

Set forth below is a summary of the issuance of our Class A ordinary shares pursuant to the Option Plan since January 1, 2021:

In February 2021, our board of directors and board committees authorized and approved the issuance of an aggregate number of 33,090,000 Class A ordinary shares of our company to certain directors, executive officers, employees and consultants of our company as share incentive awards for their services to us pursuant to the Option Plan. Among those Class A ordinary shares grants, 32,190,000 shares were restricted Class A ordinary shares, subject to restrictions on transferability to be removed upon the satisfaction of the conditions that half of the restricted shares should vest if our market capitalization reaches US$400 million and the other half should vest if our market capitalization reaches US$500 million. We also granted 900,000 restricted Class A ordinary share units to our directors which are immediately vested and issued the same number of shares.

In September 2021, our board of directors and board committees authorized and approved the issuance of an aggregate number of 44,290,560 Class A ordinary shares of our company to certain directors, executive officers, employees and consultants of our company as share incentive awards for their services to us pursuant to the Option Plan. Among those Class A ordinary shares grants, 44,290,560 shares were restricted Class A ordinary shares, subject to the following vesting condition: restricted shares shall vest within two years, i.e., 1/24th of all restricted share grants shall vest on the last day of each month after the date of the grant. We also granted 4,950,000 restricted Class A ordinary share units to our directors which are immediately vested and issued the same number of shares.

In September 2023, our board of directors and board committees authorized and approved the issuance of an aggregate number of 214,650,000 Class A ordinary shares (equivalent to 715,500 ADSs) pursuant to the Option Plan in the form of the restricted shares and restricted share units granted to our directors, officers and employees. The 205,200,000 Class A ordinary shares issued pursuant to the Option Plan as the restricted shares to our executive officers and employees are subject to a three-year vesting schedule and lock-up restrictions, provided that the second-year and the third-year tranches of the restricted share grants shall be released from the lock-up restrictions only upon the satisfaction of certain pre-agreed performance targets. The remaining 9,450,000 Class A ordinary shares were issued as the restricted share units to our independent directors as part of their compensation for their services as our independent directors for the next three years.

In June, October and December 2024, and January 2025, respectively, our board of directors and board committees authorized and approved the issuance of an aggregate number of 81,126,600 Class A ordinary shares (equivalent to 270,422 ADSs) pursuant to the Option Plan to various consultants as compensation for their services in connection with the development of online business.

In March 2025, our board of directors and board committees authorized and approved the issuance of an aggregate number of 450,000,000 Class A ordinary shares (equivalent to 1,500,000 ADSs) pursuant to the Option Plan. 450,000,000 Class A ordinary shares were issued in the form of restricted shares to our directors, officers and employees. All such Class A ordinary shares are subject to a three-year vesting schedule and lock-up restrictions, i.e. 1/36 portion of the respective shares shall vest on the last day of each calendar month following the date of the grant.

The following table provides a summary of the options and restricted shares granted to our directors, executive officers and other individuals as a group under the Option Plan as of March 28, 2025 and that remained outstanding.

	Restricted Shares Issued	Total Number of Ordinary Shares Underlying Options	Exercise Price	Expiration Date
			(in US$)	
Jun Zhu	532,800,000 (1)	—	—	—
Davin Alexander Mackenzie	*	—	—	—
Kwok Keung Chau	*	—	—	—
Ka Keung Yeung	*	—	—	—
George Lai(2)	116,819,841	—	—	—
All Directors and Senior Executive Officers as a Group	649,619,841	—	—	—

* Less than 1% of our total issued and outstanding shares.

(1) Consists of 7,500,000 Class B ordinary shares, 525,300,000 Class A ordinary shares.

(2) Includes 103,125,141 Class A ordinary shares in the form of restricted shares and 13,694,700 Class A ordinary shares represented by ADSs held by George Lai, among which 101,250,000 Class A ordinary shares are subject to lock-up period and restrictions that will be removed in installments, provided that certain of our pre-agreed performance target are met.

The following paragraphs describe the principal terms of the Eleventh Amended and Restated 2004 Stock Option Plan.

Types of Awards. The Option Plan permits the awards of options, stock purchase rights, restricted shares and restricted share units.

Administration. Our Option Plan is administered by our board of directors or an option administrative committee designated by our board of directors and constituted to comply with applicable laws. In each case, our board of directors or the committee it designates will determine the provisions, terms and conditions of each award grant, including, but not limited to, the option vesting schedule, repurchase provisions, forfeiture provisions, form of payment upon settlement of the award, payment contingencies and satisfaction of any performance criteria.

Award Agreement. Awards granted under our Option Plan are evidenced by an award agreement that contains, among other things, terms, conditions and limitations for each award, which may include the term of the award, the provisions concerning exercisability and forfeiture upon termination of employment or consulting arrangements, as determined by our board.

Eligibility. We may grant awards to our employees, directors and consultants of our company.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the award agreement.

Exercise of Options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant.

Third-Party Acquisition. If a third party acquires us through the purchase of all or substantially all of our assets, a merger or other business combination, all outstanding awards will be assumed or equivalent options or share awards substituted by the successor corporation or parent or subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the options or share purchase rights, all options or share purchase rights will become fully vested and exercisable immediately prior to such transaction.

Changes in Capitalization and Other Adjustments. If we shall at any time increase or decrease the number of outstanding shares, or change in any way the rights and privileges of our outstanding shares, by means of a payment or a stock dividend or any other distribution upon such ordinary shares, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization involving such ordinary shares, then in relation to the ordinary shares that are covered by the awards granted or available under the plan and are affected by one or more of the above events, the number, rights and privileges shall be increased, decreased or changed in like manner as if such ordinary shares had been issued and outstanding, fully paid and non-assessable at the time of such occurrence.

Termination of Plan. Unless terminated earlier, our Option Plan will expire in 2043. Our board of directors has the authority to amend, alter, suspend or terminate our Option Plan. However, no such action may (i) impair the rights of any grantee unless agreed by the grantee and the stock option plan administrator, or (ii) affect the stock option plan administrator's ability to exercise the powers granted to it under our Option Plan.

C. Board Practices

Board of Directors

Our board of directors consists of the following five directors: Jun Zhu, Kwok Keung Chau, Davin A. Mackenzie, Ka Keung Yeung and George Lai. A director is not required to hold any shares in our company by way of qualification. Any director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company must declare the nature of his interest at a meeting of our directors. A director may vote with respect to any contract, proposed contract or arrangement notwithstanding that he may be interested, and if he does so, his vote shall be counted and he may be counted in the quorum at any meeting of our directors at which any such contract or proposed contract or arrangement is considered and voted upon. Our directors may exercise all the powers of our company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and issue debentures, debenture stock or other securities whenever money is borrowed, or as security for any debt, liability or obligation of our company or of any third party.

Committees of the Board of Directors

Audit Committee. Our audit committee consists of Messrs. Kwok Keung Chau, Davin A. Mackenzie and Ka Keung Yeung, all of whom satisfy the "independence" definition under Rule 5605 of the Nasdaq Stock Market, Inc. Marketplace Rules, or the **Nasdaq Rules**, and the audit committee independence standard under Rule 10A-3 under the Exchange Act. All the members of our audit committee meet the "financial expert" definition of the Nasdaq Rules.

The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing and approving all proposed related party transactions;
- discussing the annual audited financial statements with management and the independent auditors;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent auditors;
- reporting regularly to the full board of directors; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

Compensation Committee. Our compensation committee consists of Messrs. Kwok Keung Chau, Davin A. Mackenzie and Ka Keung Yeung, all of whom meet the "independence" standards for compensation committee members under the Nasdaq Rules. The compensation committee assists the board in reviewing and approving the compensation structure of our executive officers, including all forms of compensation to be provided to our executive officers. The compensation committee will be responsible for, among other things:

- reviewing and determining the compensation for our five most senior executives;
- reviewing the compensation of our other employees and recommending any proposed changes to the management;
- reviewing and approving director and officer indemnification and insurance matters;
- reviewing and approving any employee loans in an amount equal to or greater than US$60,000 (or such amount as from time to time announced by the regulatory bodies as requiring the approval of the Committee); and
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pensions and welfare benefits plans.

Duties of Directors

Under Cayman Islands law, our directors owe to our company fiduciary duties, including a duty of loyalty, a duty to act honestly and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to act with care and diligence that a reasonably prudent person would exercise in comparable circumstances and a duty to exercise the skill they actually possess. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. We have the right to seek damages if a duty owed by our directors is breached.

Terms of Directors

Our board of directors is currently divided into three classes with different terms. This provision would delay the replacement of a majority of our directors and would make changes to the board of directors more difficult than if such provision were not in place. Our independent directors, namely Kwok Keung Chau, Davin A. Mackenzie and Ka Keung Yeung, were re-elected at our 2021 annual general meeting and each of them is serving a three-year term until the 2024 annual general meeting or until his/her successor is duly elected and qualified, whichever is earlier. Jun Zhu, our chairman and chief executive officer, was re-elected as a director at our 2022 annual general meeting and is serving a three-year term until the 2025 annual general meeting or until his successor is duly elected and qualified, whichever is earlier. George Lai, our chief financial officer and director, was re-elected as a director at our 2021 annual general meeting and is serving a three-year term until the 2024 annual general meeting or until his successor is duly elected and qualified, whichever is earlier. Upon expiration of the term of office of each class, succeeding directors in each class will be elected for a term of three years. Directors may be removed from office by ordinary resolution of shareholders at any time before the expiration of his/her term. Pursuant to the natural expiration of the directorial terms, elections for directors would be held on the date of the annual general meeting of shareholders.

D. Employees

We had 72, 50 and 50 employees as of December 31, 2022, 2023 and 2024, respectively. We consider our relations with our employees to be good.

E. Share Ownership

As of March 28, 2025, there were 4,218,714,735 ordinary shares outstanding, being the sum of 4,155,107,401 Class A ordinary shares (excluding 47,686,707 ordinary shares we reserved for issuance upon the exercise of options under our share incentive plan, and for our treasury ADSs) and 63,607,334 Class B ordinary shares.

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 28, 2025 by:

- each of our directors and executive officers who are also our shareholders; and
- each person known to us to beneficially own 5% or more of our ordinary shares.

	Ordinary Shares Beneficially Owned[1]				
	Class A	Class B	Total ordinary Shares on an as - converted basis	%[2]	% of aggregate Voting power[3]
Directors and Executive Officers:					
Jun Zhu[4]	1,482,555,232	63,607,334	1,546,162,566	36.65 %	74.58 %
Davin A. Mackenzie	*	—	*	*	*
Kwok Keung Chau	*	—	*	*	*
Ka Keung Yeung	*	—	*	*	*
George Lai (Lai Kwok Ho) [5]	116,819,841	—	116,819,841	2.77 %	1.11 %
Gary Gao (Gao Yan)	*	*	*	*	*
All Directors and Senior Executive Officers as a Group	1,651,546,609	63,607,334	1,715,153,943	40.65 %	76.19 %
Principal Shareholders:					
Jun Zhu[4]	1,482,555,232	63,607,334	1,546,162,566	36.65 %	74.58 %
Bripheno Pte. Ltd. [6]	270,000,000	—	270,000,000	6.22 %	2.54 %
WM Therapeutic Co., Ltd.	238,725,975	—	238,725,975	5.66 %	2.27 %
Kuaijin Shidai (Xiamen) Technology Co. Ltd. [7]	318,448,800	—	318,448,800	7.55 %	3.03 %
Shenma Limited	396,986,475	—	396,986,475	9.41 %	3.78 %
Zhejiang Huanyu Internet Science and Technology Co. Ltd. [8]	475,102,500	—	475,102,500	11.26 %	4.52 %
Shaoxing Tongze Network Science and Technology Co. Ltd. [9]	203,580,623	—	203,580,623	4.83 %	1.94 %

Notes:

* Less than 1% of our total outstanding shares.

(1) Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days of February 28, 2025, including through the exercise of any option, warrant or other right or the conversion of any other security.

(2) Percentage of beneficial ownership is based on 4,218,714,735 ordinary shares outstanding as of March 28, 2025, as well as the shares underlying share options and warrants exercisable by such person or group within 60 days from March 28, 2025.

(3) For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to one-hundred votes per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

(4) Includes (i) 6,107,334 Class B ordinary shares and 912,094 Class A ordinary shares represented by ADSs held by Incsight Limited, a British Virgin Islands company that is wholly owned and controlled by Mr. Jun Zhu, (ii) 57,500,000 Class B ordinary shares, 525,300,000 Class A ordinary shares and 5,305,230 Class A ordinary shares represented by ADSs held by Mr. Jun Zhu, among which 384,000,000 Class A ordinary shares are subject to lock-up period and restrictions that will be removed in installments, provided that certain pre-agreed performance target of the Issuer are met and (iii) 823,793,208 Class A ordinary shares and 244,244,700 Class A ordinary shares represented by ADSs that are held by certain shareholders of the Issuer (including Bripheno Pte. Ltd., Wevision Pte. Ltd., Zhejiang Huanyu Network Technology Co., Ltd., Shao Xing Tong Ze Network Science and Technology Co., Ltd. and Shenzhen JiTuo Interactive Technology Co., Ltd) who have granted Mr. Jun Zhu and/or Incsight Limited the sole voting power with respect to such shares through respective contractual arrangements. Mr. Jun Zhu has been, directly or indirectly through Incsight Limited, granted sole voting power with respect to a total number of 951,037,908 Class A ordinary shares, including 244,244,700 Class A ordinary shares represented by ADSs, held by certain shareholders of us, including Bripheno Pte. Ltd., Wevision Pte. Ltd., Zhejiang Huanyu Network Technology Co., Ltd., Shao Xing Tong Ze Network Science and Technology Co., Ltd. and Shenzhen JiTuo Interactive Technology Co., Ltd. Additionally, subsequent to March 28, 2025, Mr. Jun Zhu has also been granted sole voting power with respect to an additional number of 117,000,000 Class A ordinary shares held by Bripheno Pte. Ltd., in April 2025. Each Class B ordinary share is convertible at the option of the holder into one Class A ordinary share, whereas Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

(5) Includes 103,125,141 Class A ordinary shares in the form of restricted shares and 13,694,700 Class A ordinary shares represented by ADSs held by George Lai, among which 101,250,000 Class A ordinary shares are subject to lock-up period and restrictions that will be removed in installments, provided that certain of our pre-agreed performance target are met.

(6) Includes (i) 150,000,000 Class A ordinary shares represented by ADSs, and (ii) 120,000,000 Class A ordinary shares issuable upon the exercise of the warrants exercisable pursuant to the terms and conditions specified in the Warrant to Purchase Class A ordinary shares of The9 Limited (as amended) between The9 Limited and Bripheno Pte. Ltd. As of the date of this annual report, Bripheno Pte. Ltd. also beneficially owns an additional number of 117,000,000 Class A ordinary shares. In addition, we also issued a two-year 3% per annum convertible promissory note with the principal amount of US$6 million to Bripheno Pte. Ltd. We have the right to prepay all or any portion of the outstanding balance. Within a certain period, Bripheno Pte. Ltd. has the right to convert all or any portion of the outstanding balance into the ADSs at a conversion price of US$0.05 per Class A ordinary share. The Class A ordinary shares that might be issued pursuant to the convertible promissory note are not reflected in the table above, due to the prepayment/conversion mechanism of the convertible promissory note. Bripheno Pte. Ltd. is a Singapore company wholly owned and controlled by a group of unrelated third-party individual investors. The registered address for Bripheno Pte. Ltd. is 5 Upper Aljunied Link, #06-02, Quartz Industrial Building, Singapore 367903. Additionally, subsequent to March 28, 2025, Bripheno Pte. Ltd. also gained the beneficial ownership of an additional number of 117,000,000 Class A ordinary shares pursuant to the share purchase agreement entered into between us and Bripheno in March 2025.

(7) Includes 318,448,800 Class ordinary shares held by Li Yuanfeng as the nominee shareholder of Kuaijin Shidai (Xiamen) Technology Co. Ltd.

(8) Includes (i) 443,413,200 Class A ordinary shares held by Happy Game (BVI) Limited and (ii)31,689,300 Class A ordinary shares held by Wayne Holding (BVI) Limited, as designated holders of Zhejiang Huanyu Internet Science and Technology Co. Ltd.

(9) Includes (i) 122,148,300 Class A ordinary shares held by XYDATA Limited and (ii) 81,432,323 Class A ordinary shares held by DataForge Solutions Limited as the designated holders of Shaoxing Tongze Network Science and Technology Co. Ltd.

To our knowledge, as of March 28, 2025, 1,413,968,392 Class A ordinary shares (including 47,686,707 ordinary shares we reserved for issuance upon the exercise of options under our share incentive plan and for our treasury ADSs), were held by two record shareholders in the United States, one of which is The Bank of New York Mellon, our ADS depositary. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

We are currently not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party Transactions Arrangements with Variable Interest Entity

Current laws and regulations of the Chinese mainland impose substantial restrictions on foreign ownership of entities involved in ICP in the Chinese mainland. Therefore, we conduct part of our activities through a series of agreements with Shanghai IT, the variable interest entity. Shanghai IT holds the requisite licenses and approvals for conducting ICP-related businesses in the Chinese mainland. Shanghai IT is owned by our employee Wei Ji, who acquired his equity interests in Shanghai IT from Jun Zhu in November 2011, and our employee Qi Wang, who acquired his equity interests in Shanghai IT from Zhimin Lin in December 2021.

We have obtained the exclusive right to benefit from Shanghai IT's licenses and approvals. In addition, through a series of contractual arrangements with Shanghai IT and its shareholders, we are able to direct and conduct business operations through contractual arrangements with Shanghai IT. We believe that the individual shareholders of Shanghai IT will not receive material personal benefits from these agreements except as shareholders or employees of The9 Limited. Despite the lack of legal majority ownership, we are able to direct the activities of and derive economic benefits from the consolidated variable interest entity and therefore our Cayman Island holding company is considered the primary beneficiary of the consolidated variable interest entity for accounting purposes and consolidates the variable interest entity and its subsidiaries as required by Accounting Standards Codification topic 810, Consolidation. Accordingly, we treat the consolidated variable interest entity as a consolidated entity under U.S. GAAP and we consolidate the financial results of the consolidated variable interest entity in our consolidated financial statements in accordance with U.S. GAAP. Neither The9 Limited nor its investors have an equity ownership in, direct foreign investment in, or control through such ownership or investment of, the consolidated variable interest entity, and the contractual arrangements are not equivalent to an equity ownership in the business of the consolidated variable interest entity.

We do not believe we could have obtained these agreements, taken as a whole, from unrelated third parties. Because of the uncertainty relating to the legal and regulatory environment in China, the terms of most of the agreements were not defined unless terminated by the parties thereto. According to our PRC counsel, Grandall Law Firm, subject to the interpretation and implementation of the Circular and the Administrative Measures on Network Publication promulgated by the General Administration of Press and Publication, or the **GAPP**, the existing contractual arrangements are valid, binding and enforceable under the current laws and regulations of the Chinese mainland. The principal provisions of these agreements are described below.

Exclusive Technical Service Agreement. We provide Shanghai IT with technical services for the operation of computer software and related businesses, including the provision of systematic solutions for the operation of internet websites, the rental of computer and internet facilities, daily maintenance of internet servers and databases, the development and update of computer software, and all other related technical and consulting services. Shanghai IT pays service fees equivalent to 90% of profits after deduction of validated costs by the contracting parties to us. We are the exclusive provider of these services to Shanghai IT. According to the rules and regulations of the Chinese mainland, related party transactions should be negotiated at the arm's length basis and apply reasonable transfer pricing methods. However, the determination of service fees is under the sole discretion of us. This agreement shall remain in force indefinitely unless the parties agree in writing to terminate in advance.

Shareholder Voting Proxy Agreement. Each of the shareholders of Shanghai IT has entered into a shareholder voting proxy agreement with us, under which each shareholder of Shanghai IT irrevocably grants any third party we designate the power to exercise all voting rights to which he/she is entitled as a shareholder of Shanghai IT, including the right to attend shareholders meetings, to exercise voting rights and to appoint directors, a general manager, and other senior management of Shanghai IT. The power of proxy is irrevocable and may only be terminated at our discretion.

Call Option Agreement. We entered into a call option agreement with each of the shareholders of Shanghai IT, under which the parties irrevocably agreed that, at our sole discretion, we and/or any third party we designate will be entitled to acquire all or part of the equity interest in Shanghai IT, to the extent permitted by the then-effective laws and regulations of the Chinese mainland. The consideration for such acquisition will be the price equal to the lower of the amount of the registered capital of Shanghai IT and the minimum amount permissible by the then-applicable laws of the Chinese mainland. The shareholders of Shanghai IT have also agreed not to enter into any transaction, or fail to take any action, that would substantially affect the assets, liabilities, equity, operations or other legal rights of Shanghai IT without our prior written consent, including, without limitation, declaration and distribution of dividends and profits; sale, assignment, mortgage or disposition of, or encumbrances on, Shanghai IT's equity; merger or consolidation; creation, assumption, guarantee or incurrence of any indebtedness; entering into other materials contracts. This agreement shall not expire until such time as we acquire all equity interests of Shanghai IT subject to applicable laws of the Chinese mainland.

Loan Agreement. From 2002 to May 2005, we provided an aggregate of RMB23.0 million in loan to the then shareholders of Shanghai IT, namely Jun Zhu and Yong Wang, for the purposes of capitalizing and increasing the registered capital of Shanghai IT. Such loan agreement was assumed by the current shareholders of Shanghai IT when Jun Zhu transferred the equity interest in Shanghai IT to Wei Ji in 2011 and Yong Wang transferred the equity interests in Shanghai IT to Zhimin Lin in 2014. Zhimin Lin transferred the equity interests in Shanghai IT to Qi Wang in 2022. In May 2019, we terminated such loan agreement and entered into a new loan agreement among the shareholders of Shanghai IT and Shanghai Hui Ling, our subsidiary. Pursuant to the terms of this new loan agreement, we granted an interest-free loan to each shareholder of Shanghai IT for the explicit purpose of making a capital contribution to Shanghai IT. The loans have an unspecified term and will remain outstanding for the shorter of the duration of Shanghai Hui Ling or that of the Shanghai IT, or until such time that we elect to terminate the agreement (which is at our sole discretion) at which point the loans are payable on demand. Such loans shall only become immediately due and payable when we send a written notice to the borrowers requesting repayment. In December 2021, Zhimin Lin, Qi Wang, Wei Ji, Shanghai Hui Ling, and Shanghai IT entered into a Transfer Agreement of Contract Interest, where all contract interest of Zhimin Lin under the loan agreement has been transferred to Qi Wang. Currently, Qi Wang and Wei Ji have pledged all of their equity interests in Shanghai IT in favor of us under the equity pledge agreements. In the event of a breach of any term in the loan agreement or any other agreement by either Shanghai IT or its shareholders, we will be entitled to enforce our rights as a pledgee under the agreement.

Equity Pledge Agreements. To secure the full performance by Shanghai IT or its shareholders of their respective obligations under the Shareholder Voting Proxy Agreement, the Call Option Agreement and the Loan Agreement, the shareholders of Shanghai IT have pledged all of their equity interests in Shanghai IT in favor of us under two equity pledge agreements. In addition, the dividend distributions to the shareholders of Shanghai IT, if any, will be deposited in an escrow account over which we have exclusive control. The pledge shall remain effective until all obligations under such agreements have been fully performed. The shareholders have the obligation to maintain ownership and conduct business operations with the pledged equity. Under no circumstances, without our prior written consent, may any shareholder transfer or otherwise encumber any equity interests in Shanghai IT. If any event of default as provided for therein occurs, Shanghai Hui Ling, as the pledgee, will be entitled to dispose of the pledged equity interests through transfer or assignment and use the proceeds to repay the loans or make other payments due under the above loan agreement up to the loan amounts. Each of the shareholders of Shanghai IT has registered the pledge of its equity interests with the local administration for market regulation pursuant to the PRC Property Rights Law. In the event of a breach of any term in the above agreements by either Shanghai IT or its shareholders, we will be entitled to enforce our pledge rights over such pledged equity interests to compensate for any and all losses suffered from such breach.

In the opinion of Grandall Law Firm, our PRC counsel:

- the ownership structures of Shanghai Hui Ling and Shanghai IT currently are in compliance with laws or regulations of the Chinese mainland currently in effect; and

- the contractual arrangements among Shanghai Hui Ling, Shanghai IT and the shareholders of Shanghai IT governed by laws of the Chinese mainland currently are valid, binding and enforceable under laws of the Chinese mainland, and do not and will not result in any violation of applicable laws or regulations of the Chinese mainland currently in effect.

However, there are substantial uncertainties regarding the interpretation and application of current and future laws, regulations and rules in the Chinese mainland. The PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC counsel. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC government restrictions on foreign investment in value-added telecommunications services business, such as the internet content provision services, we could be subject to severe penalties, including being prohibited from continuing operations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—Our current corporate structure and business operations may be affected by the Foreign Investment Law.”

Investments or Agreements entered into with Variable Interest Entity or Associates

We charged a service fee to Big Data, a previous equity investee and now a subsidiary of ours, amounted to nil, nil and nil in 2022, 2023 and 2024, respectively. As of December 31, 2022, 2023 and 2024, the total amount due from Big Data was RMB1.1 million, RMB1.3 million and RMB1.3 million (US$0.2 million), respectively.

In August 2020, we entered into an investment agreement with Beijing Naonao, which aims to develop and operate games designed for therapy purposes. We invested RMB3.0 million in Beijing Naonao for an equity interest of 9.09%.

In May 2021, Shanghai IT entered into a joint venture agreement with Tian He (Hainan) Technology Co. Ltd. to establish a joint venture company, Shanghai Jiuciyuan Computer Co., Ltd., or **Jiu Ciyuan**. Shanghai IT invested RMB7.16 million for an equity interest of 60%. Jiu Ciyuan will develop technology to create digital avatar images, which could be used in various Apps and Metaverse projects.

In April 2021, we signed a legally binding term sheet on a CAD4 million investment in Skychain Technologies Inc., a company listed in TSX Venture Exchange in Canada. The purpose of the investment is for the construction and operation of a 12 MW cryptocurrency mining facility located in Birtle, Manitoba, Canada. In June 2021, we announced the closing of the investment in Skychain and entered into subscription agreements to purchase share units and debentures issued by Skychain Technologies Inc. However, the construction has not been completed and mining facility has not been delivered to us for deployment of our mining machines on the agreed date. We were not able to deploy our mining machines in this mining facility as Skychain Technologies Inc. failed to complete the construction due to the local regulatory and permitting issues as well as significant construction delays. In response, we have filed a complaint against Skychain and its affiliate Miningsky Technologies (Manitoba) Inc. As of the date of this annual report, we have obtained summary judgment for the portion of CAD2 million of convertible debentures repayment. We are in the process of enforcement.

In March 2024, we signed a definitive share purchase agreement with WM Therapeutic, to purchase an additional 21.7% of the shares of WM Therapeutic by cash and issuance of our Class A ordinary shares. We had previously acquired 8.3% of the shares of WM Therapeutic in 2021 through one of our then variable interest entities. We will pay cash consideration of US$1.5 million and issue 251,290,500 Class A ordinary shares to WM Therapeutic. The Class A ordinary shares to be issued to WM Therapeutic will be subject to certain lock-up conditions. Upon the completion of this transaction, we will cumulatively own 30% of the shares of WM Therapeutic. We are granted a purchase option to purchase up to 51% of the shares of WM Therapeutic. WM Therapeutic operates digital precision medicine platform for brain disease using generative AI large language model. WM Therapeutic develops brain disease screening platform and digital human personalized psychological consultant, AI precision diagnostic equipment, personalized neuromodulation treatment equipment, generative AI large language model and AI drug clinical research platform. WM Therapeutic leverages AI multi-dimensional omics data analysis technology, original drug discovery technology, brain-computer interface research technology, cohort research on brain diseases, multi-dimensional omics database, brain disease digital targets and digital pathology models and individual characteristics to achieve clinical precision diagnosis and treatment of central nervous system diseases.

In May 2024, we signed a definitive share purchase agreement with Kuaijin, to purchase 15% of KuaiJin by cash and issuance of our Class A ordinary shares. We are also granted a purchase option to purchase up to 51% of the total shares of KuaiJin. The purchase option is exercisable within two years and will be based on KuaiJin's valuation at US$60 million. KuaiJin provides standardized cost-effective solution to retail stores in China. Within 48 hours, traditional retail stores can be transformed into AI unmanned retail store by installation of KuaiJin hardware and software. The AI unmanned retail stores can be opened 24 hours a day, seven days a week, under the monitor of AI-powered 360-degree surveillance cameras. After such transformation, the payroll cost will be significantly reduced. The chance of getting shoplifting will also be reduced. Profit of the retail stores will be increased accordingly. Due to this clear business model, KuaiJin has already transformed more than 500 retail shops in more than 100 cities in China.

In May 2024, we signed a definitive share purchase agreement with Shenma, with the final negotiated terms to purchase 19% shares of Shenma in exchange for cash payment (which has been paid upon signing of a term sheet in March 2024) and issuance of our Class A ordinary shares. The total consideration for the equity stake in Shenma consists of cash consideration of US$1.0 million and issuance of 417,880,500 Class A ordinary shares (equivalent to 1,392,935 ADSs). The Class A ordinary shares to be issued to Shenma will be subject to certain lock-up conditions. Shenma developed and operates Shenma.io, a digital human SaaS platform driven by AI-generated content. The platform has 350,000 registered users, 150,000 short video scripts model library, 9,000 digital human creators and various brand customers. Users can leverage Shenma's proprietary cloning technology and create 1:1 digital human clone character with image and voice. Creators of digital human using Shenma's platform can monetize their products on different social platforms with much lower costs. Shenma's platform also offers video, audio and text automatic replies to enhance the monetization of products.

In June 2024, we signed a definitive share purchase agreement with Wuhan Weixiang, to purchase 19% of WeiXiang by cash and issuance of our Class A ordinary shares. We will pay cash consideration of US$1.5 million and will issue 284,465,400 Class A ordinary shares (equivalent to 948,218 ADSs) to WeiXiang. The Class A ordinary shares to be issued to Weixiang will be subject to certain lock-up conditions. We have also been granted a purchase option to purchase up to 51% of the total shares of WeiXiang based on a valuation calculated as 7 times of WeiXiang's audited annual profit after tax, provided that such valuation should be higher than US$45 million. WeiXiang was founded by Mr. Xu Wang, a pioneer in the educational technology landscape in China who earned several educational awards including the title of 2018 China Education Industry Figure of the Year. Mr. Wang initially gained recognition with proprietary K-12 class management platform YuanDing, which revolutionized classroom management for teachers across China. Under Mr. Wang's leadership, the platform had reached millions of daily active users. In 2020, Mr. Wang founded WeiXiang, aiming to create a localized online school ecosystem powered by short videos and live streaming. WeiXiang leverages popular platforms like TikTok, KuaiShou and WeChat Video Channels, serving as their official ecosystem partner. WeiXiang has amassed over 9 million followers across these platforms. The most popular teacher had engaged over 300,000 simultaneous viewers a single live stream, and had made monthly revenue over RMB10 million. WeiXiang distinguishes itself from traditional live-streaming educational companies through its extensive use of AI applications.

In August 2024, through Shanghai IT, we signed a joint venture agreement with Zhejiang Huanyu to establish a joint venture to operate the mobile and PC versions of the new MIR M game, pursuant to which Zhejiang Huanyu promised to guide its existing MIR and related game users to the joint venture to ensure the smooth operation of MIR M by the joint venture. We promised to grant Zhejiang Huanyu our Class A ordinary shares, which will be unlocked in stages according to Zhejiang Huanyu's commitment to the joint venture's annual business results. This joint venture company, Shaoxing Jiuyu, has obtained the ICP License. Shaoxing Jiuyu has become one of our consolidated subsidiaries to operate the mobile and PC versions of the new MIR game: MIR M, in which we hold a 51% stake and Zhejiang Huanyu holds a 49% stake. Zhejiang Huanyu committed that the joint venture will have a game revenue of at least RMB900 million (approximately US$126 million) and a profit of RMB300 million (approximately US$42 million) in 2025, and that the game revenue and profit will increase by at least 30% annually in 2026 and 2027. All after-tax profits of that joint venture will be distributed as dividends every quarter according to the shareholding ratio of the joint venture partners.

In October 2024, Shanghai IT signed a joint venture agreement with Shao Xing Tong Ze Network Science and Technology Co., Ltd. ("Tong Ze"), an AI algorithms and big data marketing service provider in China. We hold a 51% stake and Tong Ze holds a 49% stake in the joint venture. The joint venture has become one of our consolidated subsidiaries to operate AI algorithms and big data marketing business, and is expected to provide marketing solutions to our upcoming MIR M game. Pursuant to the agreement, Tong Ze committed that it will utilize its AI algorithms and big data to reach more than 100 million relevant pan-MIR tag users and more than 30 million paid MIR users. It also committed to us that this joint venture will have an annual profit of more than RMB100 million (approximately US$14 million) in 2025. All after-tax profits of this joint venture will be distributed as dividends every quarter according to the shareholding ratio of the joint venture partners.

In November 2024, we entered into a strategic partnership with NIP Group Inc. to develop MIR M into a competitive esports title, by creating a game that embodies the characteristics of MIR M and is suitable for esports adoption. In addition, we will build a highly commercialized tournament ecosystem centered around the game and provide extensive support for its global promotion.

In December 2024, Shanghai IT signed a joint venture agreement with JiTuo, an AI algorithms mobile advertising company in China. JiTuo is a game development partner with AppLovin Corporation (Nasdaq: APP) in China. It is also an agency partner for Apple Search Ads in China. We hold a 51% stake and JiTuo holds a 49% stake in the joint venture. The joint venture will become one of our consolidated subsidiaries to operate AI algorithms mobile advertising business, and is expected to provide marketing solutions to our upcoming new games, including MIR M. Pursuant to the agreement, JiTuo committed that it will utilize its advertising AI model and data algorithm system to assist our upcoming new games in optimizing advertising placement materials to enhance the conversion rate and accuracy of advertisements; optimizing the display effect and keywords in the app store to increase the conversion rate of app downloads and acquiring natural traffic. It also committed to us that the joint venture will have an annual profit of more than RMB20 million (approximately US$2.8 million) in 2025, with profit increasing by at least 50% annually in 2026 and 2027. All after-tax profits of the joint venture will be distributed as dividends every quarter according to the shareholding ratio of the joint venture partners.

In February 2025, Shanghai IT signed a joint venture agreement with Qing Cheng, a leading mobile game operation and distribution company focusing on serving gamers in China's sinking market. We hold a 51% stake and Qing Cheng holds a 49% stake in the joint venture. The joint venture is expected to become our flagship subsidiary to operate and distribute mobile games in China's sinking market. Qing Cheng committed that it will utilize its monopolistic and unique distribution channel advantages in the sinking markets to operate different mobile games for the joint venture. Qing Cheng will also utilize its strategic game development partners to ensure the joint venture will get a continuous supply of high-quality games suitable to the lower-tier markets. Qing Cheng committed to us that the joint venture will have an annual profit of more than RMB80 million (approximately US$11 million) in 2025, with profit increasing by at least 50% annually in 2026 and 2027. All after-tax profits of the joint venture will be distributed as dividends every quarter according to the shareholding ratio of the joint venture partners.

Loan from Related Parties

Mr. Jun Zhu, the chairman and chief executive officer, extended aggregate of RMB60.0 million, RMB73.9 million, RMB11.0 million, RMB16.1 million in loan to us in 2016, 2017, 2018 and 2019, respectively. The loans are interest-free. We have repaid a total of RMB2.6 million, RMB9.5 million and RMB2.0 million (US$0.3 million) for the years ended December 31, 2022, 2023 and 2024, respectively. As of December 31, 2022, 2023 and 2024, RMB11.5 million, RMB2.0 million and nil of such loan remained outstanding, respectively.

Stock Option Grants and Share Issuance

See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan—Eleventh Amended and Restated 2004 Stock Option Plan."

In November 2024, we issued a total of 50,000,000 Class B ordinary shares to Mr. Jun Zhu to retain long standing professional expertise and resources of him.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

Skychain Technologies Inc materially breached the Financing Agreement with us by failing to obtain permits required to complete the cryptocurrency hosting facility in Birtle, Manitoba, Canada and abandoned the construction project as a result. On July 6, 2022, filed a complaint against Skychain and its wholly owned subsidiary Miningsky Technologies (Manitoba) Inc. As of the date of this annual report, we have obtained summary judgment for CAD2 million and are in the processes of enforcement. Skychain has filed the appeal, which was rejected by the court in April 2023.

On August 5, 2022, we filed a complaint against Compute North, LLC for breach of contract under which Compute North should provide a facility to deploy our cryptocurrency machines. Compute North filed an application for bankruptcy and our complaint automatically stayed as a result until the bankruptcy is resolved. In February 2023, the bankruptcy court has approved the bankruptcy reorganization plan.

In 2024 we have filed a complaint against Hashland Inc. for breach of hosting agreement under which Hashland should provide a mining facility and perform uninterrupted hosting services. Hashland Inc. failed to perform its obligations, therefore we terminated the hosting agreement and sued them in the state court of Texas to recover our paid security deposit, damages and losses. The first hearing should be set by the court sometime in 2025.

In February 2025 we submitted case filing materials against shareholders of LGHSTR in the Hongkou district court of Shanghai, China. In April 2025, we were informed by the court that the court determined to proceed, on a prima facie basis, with the case, and the case will be placed on a waiting list for formal filing.

Other than the foregoing, we are currently not a party to any material legal or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

Dividend Policy

We currently intend to retain most, if not all, of our available funds and any future earnings for use in the operation of our business. Our board of directors has discretion as to whether we will distribute dividends in the future, subject to applicable laws. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors determines to distribute dividends, the form, frequency and amount of our dividends will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, legal restrictions and other factors as the board of directors may deem relevant. Any dividend we declare will be paid to the holders of ADSs, subject to the terms of the deposit agreement, to the same extent as holders of our ordinary shares, less the fees and expenses payable under the deposit agreement. Any dividend we declare will be distributed by the depositary bank to the holders of our ADSs. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as otherwise disclosed in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ADSs, each currently representing 300 Class A ordinary shares, are listed on the Nasdaq Capital Market. Our ADSs are traded under the symbol "NCTY." Our ADSs were listed on the Nasdaq Global Market from December 15, 2004 to October 2018. Effective May 9, 2018, we effected a change of the ratio of the ADSs to ordinary shares from one ADS representing one ordinary share to three ordinary shares. In October 2018, we transferred our listing venue to the Nasdaq Capital Market. Effective October 19, 2020, we effected a change of the ratio of the ADS to our Class A ordinary shares from one ADS representing three Class A ordinary shares to one ADS representing thirty Class A ordinary shares. The change in the ratio of the ADS to our Class A ordinary shares had no impact on our underlying Class A ordinary shares, and no Class A ordinary shares were issued or canceled in connection with the change in the ratio of the ADS to our Class A ordinary shares. Effective October 2, 2023, we effected a change of the ratio of the ADS to our Class A ordinary shares from one ADS representing thirty Class A ordinary shares to one ADS representing 300 Class A ordinary shares. Currently, each ADS represents 300 Class A ordinary shares. Unless otherwise indicated, ADSs and per ADS amount in this annual report have been retroactively adjusted to reflect the changes in ratio for all periods presented.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the Nasdaq Capital Market since October 2018 and previously on the Nasdaq Global Market since December 15, 2004 under the symbol "NCTY."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

In December 2024 our shareholders approved the increase of our authorized share capital from to US$500,000,000 divided into (i) 43,000,000,000 Class A ordinary shares of a par value of US$0.01 each, (ii) 6,000,000,000 Class B ordinary shares of a par value of US$0.01 each and (iii) 1,000,000,000 shares of a par value of US$0.01 each of such class or classes as the Board may determine in accordance with the Fourth Amended and Restated Memorandum and Articles of Association (M&AA), in each case having rights, preferences, privileges and restrictions set forth in the M&AA, by the creation of additional 45,000,000,000 shares of a par value of U$0.01 each, consisting of (i) 38,700,000,000 Class A Ordinary Shares, (ii) 5,400,000,000 Class B Ordinary Shares, and (iii) 900,000,000 shares of a par value of US$0.01 each of such class or classes as the Board may determine in accordance with the M&AA.

B. Memorandum and Articles of Association

The following are summaries of material provisions of our currently effective Fourth Amended and Restated Memorandum and Articles of Association, as well as the Companies Act insofar as they relate to the material terms of our ordinary shares.

Ordinary Shares

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form and are issued when entered in our register of members (shareholders). Every person whose name is entered in our register of members as a registered shareholder is entitled to receive a share certificate within two months of the allotment of such shares. We are not permitted to issue bearer shares.

Conversion

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of Class B ordinary shares by a holder thereof to any person who is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the same number of Class A ordinary shares.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights

Holders of our Class A ordinary shares and our Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by our shareholders at any general meeting of our company. Each Class A ordinary share shall be entitled to one vote, and each Class B ordinary share shall be entitled to one hundred votes, on all matters subject to a vote at general meetings of our company. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by one or more shareholders together holding not less than ten percent of the paid up voting share capital, present in person or by proxy.

A quorum required for a meeting of shareholders consists of holders of not less than one-third of all issued and outstanding shares entitled to vote. Our company may hold an annual general meeting but shall not (unless required by the Companies Act) be obliged to hold an annual general meeting. Annual general meetings and extraordinary general meetings may be convened by our board of directors on its own initiative. In addition, our board of directors is required to convene extraordinary general meetings upon any requisition by shareholders holding in aggregate not less than 33% of our voting share capital. Advance notice of at least seven business days is required for the convening of our annual general meeting and extraordinary general meetings.

An ordinary resolution to be passed by our shareholders requires the affirmative vote of a simple majority of the votes attaching to our ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to our ordinary shares cast in a general meeting. A special resolution is required for important matters such as a change of name, a reduction of our share capital, effecting a statutory merger, or amending our memorandum and articles of association. Holders of our ordinary shares may effect certain changes by ordinary resolution, including an increase of our authorized share capital, the consolidation and division of all or any of our share capital into shares of a larger amount than our existing share capital, and the cancellation of any authorized but unissued shares.

Transfer of Shares

Subject to the restrictions of our memorandum and articles of association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register of members in respect thereof.

Liquidation

On the winding up of our company, if the assets available for distribution among our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed among our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares

Our board of directors may from time to time make calls upon shareholders for any moneys unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of such shares, on such terms and in such manner as may be determined, before the issuance of such shares, by our board of directors. Our company may also repurchase any of our shares (including any redeemable shares) provided that the manner of such purchase has been approved by ordinary resolution of our shareholders or the manner of such purchase is in accordance with our memorandum and articles of association. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variation of Rights of Shares

If at any time our share capital is divided into different classes of shares, the rights attaching to any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may, subject to our memorandum articles of association, be varied or abrogated either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a resolution passed by at least a majority of the holders of the shares of that class present in person or by proxy at a separate general meeting of the holders of the shares of that class.

Issuance of Additional Shares

Our Fourth Amended and Restated Memorandum and Articles of Association authorize our board of directors to issue additional shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our Fourth Amended and Restated Memorandum and Articles of Association also authorize our board of directors to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including but not limited to:

- the designation of the series;
- the number of shares of the series and the subscription price thereof if different from the par value thereof;
- the dividend rights, dividend rates, conversion rights, voting rights; and

- the rights and terms of redemption and liquidation preferences

Our board of directors may issue preferred shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (other than a right to receive copies of our memorandum and articles of association and any special resolutions, and a right to inspect our register of mortgages and charges). However, we will provide our shareholders with annual audited financial statements.

Anti-Takeover Provisions

Some provisions of our Fourth Amended and Restated Memorandum and Articles of Association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders; and

- create a classified board of directors pursuant to which our directors are elected for staggered terms, which means that shareholders can only elect, or remove, a limited number of directors in any given year; and

- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Fourth Amended and Restated Memorandum and Articles of Association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Changes in Capital

We may from time to time by ordinary resolution of our shareholders increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe.

We may by ordinary resolution of our shareholders:

- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;

- sub-divide our existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in case of our share from which the reduced share is derived; and

- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled.

We may by special resolution of our shareholders reduce our share capital and any capital redemption reserve in any manner authorized by law.

Differences in Corporate Law

The Companies Act of the Cayman Islands is derived, to a large extent, from the older Companies Acts of England, but does not follow recent English law statutory enactments, and accordingly there are significant differences between the Companies Act of the Cayman Islands and the current Companies Act of England. In addition, the Companies Act of the Cayman Islands differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act applicable to us and the comparable provisions of the laws applicable to companies incorporated in the State of Delaware and their shareholders.

Mergers and Similar Arrangements

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a "consolidation" means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Save in certain limited circumstances, a shareholder of a Cayman Islands constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provided the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition to the statutory provisions relating to mergers and considerations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by (a) 75% in value of shareholders; or (b) a majority in number representing 75% in value of creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the Grand Court of the Cayman Islands can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted, in accordance with the foregoing statutory provisions, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule, a derivative action may ordinarily not be brought by a minority shareholder. However, based on English authority, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected (and have had occasion) to follow and apply the common law principles (namely the rule in Foss v. Harbottle and the exceptions thereto) which permit a minority shareholder to commence a class action against, or derivative actions in the name of, our company to challenge:

- an act which is ultra vires or illegal and is therefore incapable of ratification by the shareholders,
- an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and
- an act which requires a resolution with a qualified (or special) majority (i.e., more than a simple majority) which has not been obtained.

Indemnification of Directors and Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Fourth Amended and Restated Memorandum and Articles of Association provides that we shall indemnify each of our directors and officers against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such director or officer in connection with the execution or discharge of his duties, powers, authorities or discretions as a director or officer, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our Fourth Amended and Restated Memorandum and Articles of Association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore he owes the following duties to the company—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. The Companies Act and our Fourth Amended and Restated Memorandum and Articles of Association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Fourth Amended and Restated Memorandum and Articles of Association allow our shareholders holding not less than 33% of the share capital of our company carrying the right of voting at general meetings of our company to requisition a shareholder's meeting, in which case our directors are obligated to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our Fourth Amended and Restated Articles of Association do not provide our shareholders other right to put proposal before annual general meetings or extraordinary general meetings not called by such shareholders. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of directors of our company, it is not a concept that is accepted as a common practice in the Cayman Islands, and our company has made no provisions in our memorandum and articles of association to allow cumulative voting for such elections. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our Fourth Amended and Restated Memorandum and Articles of Association, subject to certain restrictions as contained therein, directors may be removed with or without cause, by an ordinary resolution of our shareholders. A director shall hold office until the expiration of his or her term or his or her successor shall have been elected and qualified, or until his or her office is otherwise vacated. In addition, a director's office shall be vacated if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind or dies; (iii) resigns his office by notice in writing to the company; (iv) without special leave of absence from our board of directors, is absent from meetings of our board for six consecutive months and the board resolves that his office be vacated; or (v) is removed from office pursuant to any other provisions of our Fourth Amended and Restated Memorandum and Articles of Association.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, our directors are required to comply with the fiduciary duties which they owe to us under Cayman Islands law, including the duty to ensure that, in their opinion, any such transactions entered into are bona fide in the best interests of us, and are entered into for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if we are unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our Fourth Amended and Restated Articles of Association, if at any time our share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to our Memorandum and Articles of Association, be varied or abrogated with the consent in writing of the holders of a majority of the issued shares of that class or with the sanction of a resolution passed by at least a majority of the holders of the shares of that class present in person or by proxy at a separate general meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our Fourth Amended and Restated Memorandum and Articles of Associations, our Fourth Amended and Restated Memorandum and Articles of Association may only be amended with a special resolution of our shareholders.

Rights of Non-resident or Foreign Shareholders

There are no limitations imposed by our Fourth Amended and Restated Memorandum and Articles of Association on the rights of non- resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our Fourth Amended and Restated Memorandum and Articles of Association which require our company to disclose shareholder ownership above any particular ownership threshold.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" or elsewhere in this annual report.

D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—Government Regulations—Regulations on Foreign Currency Exchange and Dividend Distribution."

E. Taxation

Cayman Islands Taxation

In the opinion of our Cayman Islands counsel, Maples and Calder (Hong Kong) LLP, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. No Cayman Islands stamp duty will be payable unless an instrument is executed in, or after execution, brought into, or produced before a court of the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our shares, nor will gains derived from the disposal of our shares be subject to Cayman Islands income or corporation tax.

The Chinese Mainland Taxation

If we are considered a resident enterprise of the Chinese mainland under the PRC Enterprise Income Tax Law, our shareholders and ADS holders who are deemed non-resident enterprises may be subject to the 10% enterprise income tax on the dividends payable from us or any gains realized from the transfer of our shares or ADSs, if such income is deemed derived from the Chinese mainland, provided that (i) such foreign enterprise investor has no establishment or premises in the Chinese mainland, or (ii) it has establishment or premises in the Chinese mainland but its income derived from the Chinese mainland has no real connection with such establishment or premises. Furthermore, if we are considered a resident enterprise of the Chinese mainland and the PRC tax authorities consider the dividends we pay with respect to our shares or ADSs and the gains realized from the transfer of our shares or ADSs to be income derived from sources within the Chinese mainland, it is also possible that such dividends and gains earned by non-resident individuals may be subject to the 20% individual income tax in the Chinese mainland. It is uncertain whether, if we are considered a Chinese mainland resident enterprise, holders of our shares or ADSs would be able to claim the benefit of tax treaties or arrangements entered into between the Chinese mainland and other jurisdictions.

If we are required under the tax law of the Chinese mainland to withhold the Chinese mainland income tax on our dividends payable to our non-Chinese mainland resident shareholders and ADS holders, or if any gains realized from the transfer of our shares or ADSs by our non-Chinese mainland resident shareholders and ADS holders are subject to the enterprise income tax or the individual income tax, your investment in our shares or ADSs could be materially and adversely affected.

U.S. Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations to U.S. Holders (as defined below) relating to the ownership and disposition of the ADSs or ordinary shares. This discussion applies only to U.S. Holders of the ADSs or ordinary shares as "capital assets" (generally, property held for investment). This summary is based on the U.S. Internal Revenue Code of 1986, as amended, or the **Code**, U.S. Treasury regulations promulgated thereunder, or the **Regulations**, judicial decisions, administrative pronouncements, and other relevant authorities, all as in effect as of the date hereof and all of which are subject to differing interpretations and change, possibly with retroactive effect. There can be no assurance that the Internal Revenue Service, or the **IRS**, will not take, or that a court will not sustain a contrary position.

The following discussion is for general information only and does not address all of the tax considerations that may be relevant to any particular investor or to persons in special tax situations, such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- persons liable for minimum tax;
- persons that have a functional currency other than the U.S. dollar;

- persons holding ADSs or ordinary shares as part of a straddle, hedging, conversion or integrated transaction for U.S. federal income tax purposes;
- persons holding ADSs or ordinary shares through a bank, financial institution or other entity, or a branch thereof, located, organized or resident outside the United States;
- persons that directly, indirectly or constructively own 10% or more of our ADSs or ordinary shares (by vote or value);
- partnerships or other pass-through entities, or persons holding ADSs or ordinary shares through such entities; or
- persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation.

all of whom may be subject to tax rules that differ significantly from those discussed below.

In addition, the discussion below does not address any U.S. state, local or non-U.S. tax considerations, the Medicare tax, any minimum tax, or any non-income tax (such as U.S. federal estate or gift tax) considerations.

U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF ADSs OR ORDINARY SHARES.

For the purpose of this discussion, a "**U.S. Holder**" is a beneficial owner of ADSs or ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Regulations to be treated as a U.S. person.

If a partnership (or other entity taxable or arrangement as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or ordinary shares, the tax treatment of a partner in such partnership will depend on the status of such partner and the activities of such partnership. Partnerships holding our ADSs and their partners should consult their tax advisors regarding an investment in our ADSs or ordinary shares.

It is generally expected that a U.S. Holder of ADSs should be treated, for U.S. federal income tax purposes, as the beneficial owner of the underlying Class A ordinary shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of ADSs will be treated in this manner. Predicated upon such treatment, deposits or withdrawals of our ordinary shares for our ADSs will not be subject to U.S. federal income tax.

Passive Foreign Investment Company Considerations

A non-U.S. corporation will be a PFIC for any taxable year if either:

- at least 75% of its gross income for such year consists of certain types of passive income (the "income test"); or
- at least 50% of the value of its assets (generally determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income (the "asset test").

For this purpose, cash and assets readily convertible into cash are generally classified as passive assets and goodwill and other unbooked intangibles associated with active business activities may generally be classified as non-passive assets. Passive income generally includes, among other things, dividends, interest, royalties and rents (other than certain royalties and rents derived in the active conduct of a trade or business and not derived from a related person), and gains from the disposition of passive assets.

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

Based on the market price of our ADSs and the nature and composition of our assets, although not free from doubt, we believe that we were likely a PFIC for United States federal income tax purposes for our taxable year ended December 31, 2024. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs or ordinary shares, our PFIC status will depend in part on the market price of the ADSs or ordinary shares, which may fluctuate significantly, and the composition of our assets and liabilities. In light of recent declines in the market price of our ADSs, our risk of becoming a PFIC has increased. The market price of our ADSs may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year.

Furthermore, even if the composition of our assets and income were to change such that we believed that we were not a PFIC, there are uncertainties in the application of the rules, and it is possible that the IRS may challenge our classification of certain income or assets as non-passive, or our valuation of our goodwill and other unbooked intangibles, all of which could affect whether we are classified as a PFIC for the current or subsequent taxable years. Accordingly, there can be no assurance regarding our PFIC status for our current or subsequent taxable years.

In addition, it is possible that one or more of our subsidiaries were also PFICs for such years for U.S. federal income tax purposes. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year. If we are a PFIC for any taxable year during which you hold ADSs or ordinary shares, we generally will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold ADSs or ordinary shares. However, if we cease to be a PFIC, provided that you have not made a mark-to-market election, as described below, you may avoid some of the adverse effects of the PFIC regime by making a "deemed sale" election with respect to the ADSs or ordinary shares, as applicable. If such election is made, you will be deemed to have sold our ADSs or ordinary shares you hold at their fair market value and any gain from such deemed sale would be subject to the rules described below under "Passive Foreign Investment Company Rules." After the deemed sale election, so long as we do not become a PFIC in a subsequent taxable year, your ADSs or ordinary shares with respect to which such election was made will not be treated as shares in a PFIC and you will not be subject to the rules described below with respect to any "excess distribution" you receive from us or any gain from an actual sale or other disposition of the ADSs or ordinary shares. The rules dealing with deemed sale elections are complex. You should consult your tax advisors as to the possibility and consequences of making a deemed sale election if we cease to be a PFIC and such election becomes available to you.

Passive Foreign Investment Company Rules

For each taxable year that we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any "excess distribution" you receive and any gain you recognize from a sale or other disposition (including a pledge) of the ADSs or ordinary shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under the PFIC rules, if you receive any excess distribution or recognize any gain from a sale or other disposition of the ADSs or ordinary shares:

- the excess distribution or recognized gain will be allocated ratably over your holding period for the ADSs or ordinary shares;
- the amount allocated to the current taxable year, and any taxable years in your holding period prior to the first taxable year in which we became a PFIC (a "**pre-PFIC year**"), will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to the highest tax rate in effect for individuals or corporations, as applicable to the U.S. Holder for each such year; and
- the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each prior taxable year other than a pre-PFIC year.

The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) from the sale or other disposition of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

If we are a PFIC for any taxable year and any of non-U.S. subsidiaries is also a PFIC, a U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules, and could incur liability for the deferred tax and interest charge described below if either (1) we receive a distribution from, or dispose of all or part of our interest in, the lower-tier PFICs or (2) you dispose of all or part of your ADSs or ordinary shares. It is possible that one or more of our subsidiaries were also PFICs for prior taxable years. You should consult your tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

The tax liability for amounts allocated to years prior to the year of disposition of "excessive distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

Alternatively, a U.S. Holder of "marketable stock" (as defined below) of a PFIC may make a mark-to-market election for such stock to elect out of the PFIC rules described above regarding excess distributions and recognized gains. If you make a valid mark-to-market election for the ADSs or ordinary shares, you will include in income for each year that we are a PFIC an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or ordinary shares, will be treated as ordinary income. Ordinary loss treatment will apply to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss from the actual sale or other disposition of the ADSs or ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make a mark-to-market election, any distributions that we make generally would be subject to the tax rules discussed below under "—Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares," except that the lower tax rate applicable to qualified dividend income would not apply.

The mark-to-market election is available only for "marketable stock," which is stock that is traded in greater than de minimis quantities on at least 15 days during each calendar quarter ("regularly traded") on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Although our ADSs are currently listed on, and historically regularly traded on, Nasdaq, which is a qualified exchange or other market for these purposes, no assurance can be given that the ADSs will be regularly traded on an established securities market in the United States for any taxable year. However, as mentioned above, on January 11, 2024, and on earlier dates, we received written notifications from Nasdaq advising us that we were not in compliance with certain continued listing requirements, but we have regained compliance following such notifications. See "Item 3. Key Information—D. Risk Factors—General Risks Related to Our Shares, ADSs and Warrants—Our ADSs may be delisted from the Nasdaq Capital Market as a result of our failure of meeting the Nasdaq Capital Market continued listing requirements." If we fail to satisfy such requirements and fail to regain compliance on a timely basis, our ADSs could be delisted from the Nasdaq Capital Market. If our ADSs are delisted and are not otherwise readily tradable on an established securities market in the United States, as described above, our ADSs would not be treated as "marketable stock" for these purposes and a U.S. Holder would not be eligible to make a mark-to-market election with respect to our ADSs. If any of our subsidiaries are or become PFICs, the mark-to-market election will technically not be available with respect to the shares of such subsidiaries that are treated as owned by you. Consequently, you could be subject to the PFIC rules with respect to income of the lower-tier PFICs the value of which already had been taken into account indirectly via mark-to-market adjustments. You should consult your tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

Unless otherwise provided by the U.S. Treasury, each U.S. shareholder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. In addition, if you hold ADSs or ordinary shares in any year in which we are a PFIC, you will be required to file IRS Form 8621 regarding distributions received on the ADSs or ordinary shares and any gain realized on the disposition of the ADSs or ordinary shares. You should consult your tax advisors regarding any reporting requirements that may apply to you.

YOU SHOULD TO CONSULT YOUR TAX ADVISORS REGARDING THE IMPACT OF OUR BEING A PFIC FOR PRIOR YEARS INCLUDING OUR TAXABLE YEAR ENDED DECEMBER 31, 2024 ON YOUR INVESTMENT IN OUR ADSs AND ORDINARY SHARES AS WELL AS THE APPLICATION OF THE PFIC RULES AND THE POSSIBILITY OF MAKING A MARK-TO-MARKET OR DEEMED SALE ELECTION.

Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares

As noted above, we were likely a PFIC for our most recent taxable year ended December 31, 2024 and may also be a PFIC for our current taxable year. Accordingly, the treatment most likely to apply to a U.S. Holder is set forth above in "—Passive Foreign Investment Company Rules." If our ADSs or ordinary shares are not treated as stock of a PFIC with respect to a particular U.S. Holder, the following rules will generally apply. The gross amount of any distribution we make to you with respect to the ADSs or ordinary shares generally will be includible in your gross income as dividend income on the date of receipt by the depositary, in the case of ADSs, or by you, in the case of ordinary shares, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as computed under U.S. federal income tax principles). The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations. To the extent the amount of the distribution exceeds our current and accumulated earnings and profits, (as computed under U.S. federal income tax principles) such excess amount will be treated first as a tax-free return of your tax basis in your ADSs or ordinary shares, and then, to the extent such excess amount exceeds your tax basis, as a capital gain. Because we do not intend to determine our earnings and profits on the basis of U. S. federal income tax principles, any distribution paid will generally be reported as a "dividend" for U. S. federal income tax purposes.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, dividends will be taxed at the lower capital gains rate applicable to "qualified dividend income," provided that (1) the ADSs or ordinary shares, as applicable, are readily tradable on an established securities market in the United States, or we are eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are neither a PFIC nor treated as such with respect to you for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. Under IRS authority, common or ordinary shares, or ADSs representing such shares, are considered for the purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on Nasdaq, as are our ADSs (but not our ordinary shares). There can be no assurance that our ADSs will be considered readily tradable on an established securities market in the United States in later years, and the ADSs are expected to be readily tradable for so long as they continue to be listed on the Nasdaq, although there can be no assurance in this regard. However, as mentioned above, on January 11, 2024, and on earlier dates, we received written notifications from Nasdaq advising us that we were not in compliance with certain continued listing requirements, but we have regained compliance following such notifications. See "Item 3. Key Information—D. Risk Factors— General Risks Related to Our Shares, ADSs and Warrants— Our ADSs may be delisted from the Nasdaq Capital Market as a result of our failure of meeting the Nasdaq Capital Market continued listing requirements." If we fail to satisfy such requirements and fail to regain compliance on a timely basis, our ADSs could be delisted from the Nasdaq Capital Market. If our ADSs are delisted and are not otherwise readily tradable on an established securities market in the United States, dividends received on our ADSs would generally not be eligible to be taxed as dividend income from a qualified foreign corporation. Since we do not expect that our ordinary shares will be listed on an established securities market in the United States, it is unclear if the dividends that we pay on our ordinary shares which are not backed by ADSs currently meet the conditions required for the reduced tax rate. If we are treated as a "resident enterprise" for PRC tax purposes under the PRC Enterprise Income Tax Law (see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—The income tax laws of the Chinese mainland may increase our tax burden or the tax burden on the holders of our shares or ADSs, and tax benefits available to us may be reduced or repealed, causing the value of your investment in us to suffer"), we may be eligible for the benefits of the income tax treaty between the United States and the Chinese mainland (the "Treaty"). You should consult your tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for dividends paid with respect to our ADSs or ordinary shares.

For U.S. foreign tax credit purposes, dividends received on our ADSs or ordinary shares will generally be treated as income from foreign sources and will generally constitute passive category income. As described in "—The Chinese Mainland Taxation," if we are deemed to be a mainland China resident enterprise for mainland China tax purposes, a U.S. Holder may be subject to mainland China's withholding taxes on such dividends. Subject to certain conditions and limitations, a Treaty-eligible U.S. Holder may be entitled to claim a foreign tax credit in respect of any such mainland China withholding taxes to the extent such taxes are nonrefundable under the Treaty. Alternatively, a U.S. Holder may elect to deduct such taxes in computing its taxable income for U.S. federal income tax purposes. A U.S. Holder's election to deduct foreign taxes instead of claiming foreign tax credits applies to all creditable foreign income taxes paid or accrued in the relevant taxable year. The rules regarding foreign tax credits and the deductibility of foreign taxes are complex. All U.S. Holders, whether or not they are Treaty eligible, should consult their tax advisors regarding the availability of foreign tax credits and the deductibility of foreign taxes in light of their particular circumstances.

Taxation of Disposition of the ADSs or Ordinary Shares

As noted above, we were likely a PFIC for our most recent taxable year ended December 31, 2024, and may also be a PFIC for our current taxable year. Accordingly, the treatment most likely to apply to a U.S. Holder is set forth above in "-Passive Foreign Investment Company Rules." If our ADSs or ordinary shares are not treated as stock of a PFIC with respect to a particular U.S. Holder, the following rules will generally apply. A U.S. Holder will generally recognize gain or loss on the sale or other disposition of our ADSs or ordinary shares in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder's adjusted tax basis in such ADSs or ordinary shares. Any such gain or loss will generally be long-term capital gain or loss if the U.S. Holder's holding period in the ADSs or ordinary shares exceeds one year at the time of disposition. Long-term capital gains of individuals and certain other non-corporate U.S. Holders are generally eligible for a reduced rate of taxation. The deductibility of capital losses may be subject to limitations.

Any such gain or loss will generally be treated as U.S. source income or loss for U.S. foreign tax credit purposes. However, if as described in "-The Chinese Mainland Taxation," gains from the sale or other disposition of our ADSs or ordinary shares are subject to tax in mainland China, a Treaty-eligible U.S. Holder may apply the Treaty to treat such gains as from foreign sources for U.S. foreign tax credit purposes. Treaty-eligible U.S. Holders that do not apply the Treaty and U.S. Holders that are not Treaty-eligible may not be able to claim a foreign tax credit for any mainland China tax imposed on a sale or other disposition of our ADSs or ordinary shares. Any such U.S. Holder may instead elect to deduct such taxes in computing its taxable income for U.S. federal income tax purposes, but only for a year in which such U.S. Holder elects to do so for all foreign taxes paid or accrued during such year. The rules regarding foreign tax credits and the deductibility of foreign taxes are complex. U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit or a deduction in lieu thereof in light of their particular circumstances, as well as with respect to their eligibility for benefits under the Treaty.

THE PRECEDING SUMMARY OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS INTENDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE TAX ADVICE. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. TAX CONSIDERATIONS GENERALLY APPLICABLE TO THE OWNERSHIP AND DISPOSITION OF OUR ADSs AND CLASS A ORDINARY SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. All information we file with the SEC can be obtained over the internet at the SEC's website at www.sec.gov. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP.

We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk for changes in interest rates relates primarily to the interest income generated by excess cash invested in bank deposits. We have not used any derivative financial instruments in our investment portfolio or for cash management purposes. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. However, our future interest income may fall short of expectations due to changes in interest rates.

Foreign Exchange Risk

We are exposed to foreign exchange risk arising from various currency exposures. Our payments to overseas developers, a portion of our financial assets and the convertible notes are denominated in U.S. dollars and other foreign currencies, while a significant portion of our revenues are denominated in RMB, the legal currency in the Chinese mainland. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency risk.

The conversion of RMB into other currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The RMB has fluctuated against other currencies, at times significantly and unpredictably. The value of RMB against other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. It is difficult to predict how market forces or government policies may impact the exchange rate between RMB and other currencies in the future. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Future movements in exchange rates between the U.S. dollar and the RMB may adversely affect the value of our ADSs."

As of December 31, 2024, we had U.S. dollar-denominated cash and cash equivalents of US$1.5 million. A hypothetical 10% increase or decrease in the exchange rate of the U.S. dollar against the RMB would have resulted in an increase or decrease of RMB1.0 million in the U.S. dollar-denominated cash and cash equivalents as of December 31, 2024.

Cryptocurrency Risk

We are exposed to cryptocurrency risk. Cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. Our revenues and profitability are highly correlated to the current and future market price of cryptocurrencies and a decline in the market prices for cryptocurrencies could negatively impact our future operations. In addition, we may not be able to liquidate our holdings of cryptocurrencies at our desired price if required, or, in extreme market conditions, we may not be able to liquidate our holdings of cryptocurrencies at all.

Cryptocurrencies have a limited history, and the fair value of cryptocurrencies has been very volatile. The historical performance of cryptocurrencies is not indicative of their future price performance. Our management closely monitors the impact of the mainstream cryptocurrency exchange market on the change of exchange rates from cryptocurrency to fiat currency.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

The Bank of New York Mellon, our ADS depositary, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares or ADSs holders must pay:	*For:*
US$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	● Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property ● Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
US$0.05 (or less) per ADS	● Any cash distribution to ADS registered holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	● Distribution of securities distributed to holders of deposited securities that are distributed by the depositary to ADS registered holders
US$0.05 (or less) per ADS per calendar year	● Depositary services
Registration or transfer fees	● Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	● Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) ● Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	● As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	● As necessary

Starting from 2021, the depository is not be obliged to reimburse us due to the ADS ratio change (now the ADSs each represents 300 Class A ordinary shares), which led to a decrease in the number of ADSs, hence reduced the dollar amount of the collected ADS fees. According to the amended letter agreement, the revenue sharing arrangement was amended and the payment would be due to us for three contract years-for the periods from December 14, 2017 to December 13, 2018, from December 14, 2018 to December 13, 2019, and from December 14, 2019 to December 13, 2020 for the net issuance fees, net cash dividend fees, and net depositary service fees collected during such contract years. Thus, for the remaining two years of the contract, no revenue sharing would be due to us but rather that if the aforementioned net fees collected were less than $120,000 at the end of each contract year, the difference would be billed to us. For the contract year from December 14, 2020 to December 13, 2021, the total fees collected met the $120,000 requirement, and we would not be billed for any difference. We entered into a new letter agreement with the depository on April 20, 2023 for a term of five years. The new letter agreement provides that the depository shall pay 50% of the revenue collected during the five-year term. We shall pay $150,000 of annual administrative fees to the depository. In 2024, there was no revenue available for sharing by the depository. We were billed $150,000 at the end of 2024.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Use of proceeds

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15I under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of December 31, 2024, we did not maintain effective disclosure controls and procedures as of December 31, 2024 due to the material weaknesses and significant deficiencies identified in our internal control over financial reporting as described below under "Internal Control over Financial Reporting." We have taken action to and will continue to undertake remedial steps to address such material weaknesses and significant deficiencies as set forth below under "Internal Control over Financial Reporting."

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) under the Exchange Act. Our management, with the participation of our chief executive officer, our chief financial officer and internal audit manager, evaluated the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2024 due to the material weaknesses and significant deficiencies identified in our internal control over financial reporting as described below under "Internal Control over Financial Reporting."

Internal Control over Financial Reporting

In preparing our consolidated financial statements for the fiscal year ended December 31, 2024, we identified material weaknesses in our internal control over financial reporting, in accordance with the standards established by the PCAOB. As defined in the standards established by the PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. For the year ended December 31, 2024, the material weaknesses identified were that (a) we failed to maintain and implement controls over our period-end closing and financial reporting process in a timely manner, and (b) we lacked accounting personnel with knowledge of U.S. GAAP and SEC financial reporting requirements, which resulted in a number of adjustments detected and or proposed by our auditor. We also noted the following deficiencies that we believe to be significant deficiencies. As defined in standards established by the PCAOB, a "significant deficiency" is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. For the year ended December 31, 2024, the significant deficiencies identified were that (a) certain of the intercompany balances in each respective entities are not reconciled and some intercompany adjustments are made as topside entries and most are carried over from prior years without identifying which entities they were pertaining to and from, and the explanations for these adjustments were not documented clearly, and (b) certain supporting documents for the mining pool are not obtained timely. To remedy our identified material weaknesses and significant deficiencies, we will prepare the period-end closing and financial reporting process earlier to ensure we have sufficient time on these. We will also strengthen our accounting personnel's knowledge by training or additional hiring. We will improve on the reconciliation of intercompany balances by minimizing unnecessary intercompany transactions. In addition, we will improve our communication with our mining pool partner to ensure supporting documents can be obtained earlier. However, we cannot assure you that we will remediate our material weaknesses and significant deficiencies in a timely manner.

In 2023, we identified a material weakness related to the untimely period-end closing and financial reporting process in a timely manner. In response, we improved our reporting process from subsidiary level to group consolidation level. We also identified a significant deficiency related to the untimely acquisition of certain supporting documents for the mining pool. We have improved our communication with our mining pool partner to ensure supporting documents can be obtained earlier.

In light of the material weaknesses and significant deficiencies identified, our management, accounting and financial reporting staff performed additional analyses and procedures in order to conclude that our consolidated financial statements as of December 31, 2024, and for the year then ended included in this Annual Report on Form 20-F are fairly stated in accordance with U.S. GAAP. Accordingly, our management believes that the Group's consolidated financial statements as of December 31, 2024, and for the year then ended are fairly stated, in all material respects, in accordance with U.S. GAAP.

Sec "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Our Industry—Failure to achieve and maintain effective internal controls could have a material adverse effect on our business, results of operations and the trading price of our ADSs."

Attestation Report of the Registered Public Accounting Firm

This annual report on Form 20-F does not include an attestation report of our registered public accounting firm because our company is neither an accelerated filer nor a large accelerated filer, as such terms are defined in Rule 12b-2 under the Exchange Act.

Changes in Internal Control over Financial Reporting

Our management has evaluated, with the participation of our chief executive officer and chief financial officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal year have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

See "Item 6. Directors, Senior Management and Employees—C. Board Practices."

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, principal accounting officer, controller, vice presidents and any other persons who perform similar functions for us. We hereby undertake to provide to any person, without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by RBSM, our independent registered public accounting firm for the periods indicated below.

	2023	2024	
	RMB	RMB	US
Audit fees[1]	5,332,025	6,856,028	939,272
Audit-related fees[2]	—	—	—
Tax fees[3]	—	—	—
All other fees[4]	—	—	—

(1) "**Audit fees**" represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of our annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

(2) "**Audit-related fees**" represent the aggregate fees billed for assurance and related services rendered by our auditor.

(3) "**Tax fees**" represents the aggregate fees billed in each of the fiscal years listed for the professional tax services rendered by our auditor.

(4) "All other fees" represents the aggregate fees billed in each of the fiscal years listed for services rendered by our auditor other than services reported under "Audit fees", "Audit-related fees" and "Tax fees."

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firm, including audit services, audit-related services, tax services and other services as described above, other than those for de minimis services which are approved by our audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In July 2022, we entered into a cancellation agreement with JPKONG LTD. and Qifeng Sun Ltd., entities controlled by Mr. Jianping Kong and Mr. Qifeng Sun, respectively, to cancel the fourth tranche of the warrants that were issued to them pursuant to a share subscription and warrant purchase agreement dated January 25, 2021 among The9, JPKONG LTD., Qifeng Sun Ltd. and other parties named thereto. The canceled warrants represented warrants to purchase 23,099,093 Class A ordinary shares at the exercise price of US$0.2667 per Class A ordinary share issued to JPKONG LTD. and warrants to purchase 11,549,547 Class A ordinary shares at the exercise price of US$0.2667 per Class A ordinary share issued to Qifeng Sun Ltd. pursuant to purchase agreement. Such cancellation will not affect the terms or conditions of any other warrants issued pursuant to purchase agreement purchase agreement purchase agreement purchase agreement. As of the date of this annual report, all the warrants have expired.

From October 5, 2023, to January 29, 2024, Mr. Jun Zhu, through Incsight Limited, effected series of trading transactions in connection with the Company's ADSs in the open market using his personal funds, which ultimately resulted in a net increase of 64,042 ADSs, representing 19,212,600 Class A ordinary shares of the Company, acquired at a weighted-average price of US$4.199 per ADS.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

We are an exempted company incorporated in the Cayman Islands and our corporate governance practices are governed by applicable Cayman Islands law. In addition, because our ADSs are listed on the Nasdaq Capital Market, we are subject to corporate governance requirements of the Nasdaq. However, Nasdaq Marketplace Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" with respect to certain corporate governance matters, and we may decide to follow the "home country practice" on a case-by-case basis. In each of August 2021, May 2023 and December 2024, our board of directors approved an increase in the total number of ordinary shares reserved for issuance under our Option Plan, for which we have followed "home country practice" in lieu of obtaining a shareholder approval pursuant to Nasdaq Marketing Rule 5635(c). We also followed "home country practice" in lieu of obtaining a shareholder approval pursuant to Nasdaq Market Rule 5635(a) with respect to issuance of securities in excess of 20% of our total issued and outstanding shares prior to such issuance. We also followed "home country practice" in lieu of the requirement under Nasdaq rule 5635(d) to seek shareholder approval in connection with certain transactions involving the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable for common stock) at a price less than certain references price equals 20% or more of common stock or 20% or more of the voting power outstanding before the issuance. We believe that we are currently in compliance with the Nasdaq corporate governance practices.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

We have adopted insider trading policies and procedures governing the purchase, sale and other dispositions of our securities by directors, senior management and employees to promote compliance with applicable laws, rules and regulations relating to insider trading.

Our Amended and Restated Statement of Policies Governing Material Non-public Information and the Provision of Insider Trading is being filed as Exhibit 11.2 to this annual report on Form 20-F.

ITEM 16K. CYBERSECURITY

Risk Management and Strategy

We have implemented comprehensive cybersecurity risk assessment procedures that are integrated into our overall enterprise risk management system. These procedures aim to identify, assess, and manage potential and existing cybersecurity threats. We have a strong inhouse IT and cybersecurity department, led by our cybersecurity officer, that identifies, assesses, and manages cybersecurity risks on a daily basis. We have ensured that our employees have full access to the basic knowledge and principles of information security, established a sound responding process and disposal mechanism for system security, external attacks and violations, and safeguarded the confidentiality of information and data of the enterprise, employees and customers, making sure information and data can only be obtained and used when necessary.

We strive to ensure the highest standards and procedures to protect data and information security for our users. We will continue to apply advanced security technologies to ensure the safety of users and contribute to the healthy development of the information security ecosystem.

As of the date of this annual report, we have not experienced any material cybersecurity incidents that have affected or are reasonably likely to affect us, our business strategy, results of operations, or financial condition. In 2024, we did not identify any violations of information security or privacy protection and did not receive any penalty for information security vulnerabilities or other network security breaches.

Governance

Our board of directors is responsible for overseeing risks related to cybersecurity. When appropriate, periodic reviews are held to discuss the landscape of cybersecurity, potential threats, and our preparedness for potential cybersecurity threats and risks to our company. In case a material cybersecurity occurs, our board of directors is responsible for reviewing the information and issues involved, disclosures to be made, and the procedures followed. In 2025 we have hired a professional cybersecurity officer, who is primarily responsible for assessing and managing cybersecurity risks and monitoring the prevention, detection, mitigation, and remediation of cybersecurity incidents. Our cyber security officer reports to our CEO and provides periodic updates to our CEO and board of directors on any material cybersecurity incidents or material risks arising from cybersecurity threats.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements for The9 Limited and its subsidiaries are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	Fourth Amended and Restated Memorandum and Articles of Association of the Registrant as currently in effect (incorporated by reference to Exhibit 3.1 to our Report of Foreign Private Issuer on Form 6-K (File No. 001-34238) filed with the Securities and Exchange Commission on December 27, 2024)
2.1	Specimen American Depositary Receipt (incorporated by reference to Exhibit A (Form of American Depositary Receipt) of Exhibit 1 (Form of Deposit Agreement) to our Post-Effective Amendment No. 3 to the Registration Statement on Form F-6 (File No. 333-156635) filed with the Securities and Exchange Commission on June 21, 2019)
2.2	Specimen Certificate for Class A ordinary shares of The Registrant (incorporate by reference to Exhibit 2.2 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on April 30, 2020)
2.3	Form of Amended and Restated Deposit Agreement among The Registrant, The Bank of New York Mellon, as Depositary, and all Owners and Beneficial Owners from time to time of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 1 to our Post-Effective Amendment No. 3 to the Registration Statement on Form F-6 (File No. 333-156635) filed with the Securities and Exchange Commission on June 21, 2019)
2.4*	Description of Securities
4.1	Eleventh Amended and Restated 2004 Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form S-8 (File No. 333-284061) filed with the Securities and Exchange Commission on December 27, 2024)
4.2	Form of Indemnification Agreement with the Registrant's directors and executive officers (incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 Amendment No. 1 (File No. 333-120810) filed with the Securities and Exchange Commission on November 30, 2004)
4.3	Form of Employment Agreement between the Registrant and a Senior Executive Officer of the Registrant (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 Amendment No. 1 (File No. 333-120810) filed with the Securities and Exchange Commission on November 30, 2004)
4.4	Translation of Exclusive Technical Service Agreement dated May 1, 2019 between Shanghai IT and Shanghai Hui Ling (incorporated by reference to Exhibit 4.8 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on April 30, 2020)
4.5	Translation of Shareholder Voting Proxy Agreement dated May 1, 2019 among Shanghai Hui Ling, Wei Ji and Zhimin Lin (incorporated by reference to Exhibit 4.9 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on April 30, 2020)
4.6	Translation of Equity Pledge Agreements dated May 1, 2019 between Shanghai Hui Ling and each of the shareholders of Shanghai IT (incorporated by reference to Exhibit 4.10 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on April 30, 2020)
4.7	Translation of Exclusive Call Option Agreement dated May 1, 2019 among Shanghai Hui Ling, Wei Ji and Zhimin Lin (incorporated by reference to Exhibit 4.11 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on April 30, 2020)
4.8	Translation of Loan Agreement dated May 1, 2019 among Shanghai Hui Ling, Wei Ji and Zhimin Lin (incorporated by reference to Exhibit 4.12 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on April 30, 2020)

Exhibit Number	Description of Document
4.9	Confidential Settlement Deed dated May 29, 2020 among the Registrant, Splendid Days Limited and other parties named therein (incorporate by reference to Exhibit 10.14 to our Registration Statement on Form F-1 (File No. 333-240331) filed with the Securities and Exchange Commission on August 4, 2020)
4.10†	Master Cooperation and Publishing Agreement dated September 18, 2020 between Voodoo and 9City Asia Limited (incorporate by reference to Exhibit 10.16 to our Registration Statement on Form F-1 Amendment No.2 (File No. 333-240331) filed with the Securities and Exchange Commission on September 23, 2020)
4.11	Warrant Agency Agreement dated October 2, 2020 among The9 Limited, Computershare Inc. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.4 to our Report of Foreign Private Issuer on Form 6-K (File No. 001-34238) furnished with the Securities and Exchange Commission on October 5, 2020)
4.12	Form of Warrant Offered in the Offering (included in Exhibit 4.11)
4.13	Representative's Warrant (incorporated by reference to Exhibit 4.6 to our Report of Foreign Private Issuer on Form 6-K (File No. 001-34238) furnished with the Securities and Exchange Commission on October 5, 2020)
4.14	Share Subscription and Warrant Purchase Agreement dated January 25, 2021 among the Registrant, Jianping Kong, JPKONG LTD., Qifeng Sun Ltd., Luckylily Ltd. and Root Grace Ltd. (incorporated by reference to Exhibit 10.11 to our Post-effective Amendment No. 2 to Registration Statement on Form F-1 (File No. 333-240331) filed with the Securities and Exchange Commission on February 9, 2021)
4.15	Securities Purchase Agreement dated February 2, 2021 between The9 Limited and Streeterville Capital, LLC (incorporated by reference to Exhibit 10.12 to our Post-effective Amendment No. 2 to Registration Statement on Form F-1 (File No. 333-240331) filed with the Securities and Exchange Commission on February 9, 2021)
4.16	Form of Share Purchase Agreement between The9 Limited and the owner of the cryptocurrencies mining machines and a schedule of all executed share purchase agreements adopting the same form in connection with the purchase of cryptocurrencies mining machines by the Registrant (incorporated by reference to Exhibit 10.13 to our Post-effective Amendment No. 3 to Registration Statement on Form F-1 (File No. 333-240331) filed with the Securities and Exchange Commission on March 23, 2021)
4.17	Form of Share Purchase Agreement between the Registrant and investors named therein and a schedule of all executed share purchase agreements adopting the same form in connection with investment in the cryptocurrency mining business of the The9 Limited (incorporated by reference to Exhibit 10.14 to our Post-effective Amendment No. 3 to Registration Statement on Form F-1 (File No. 333-240331) filed with the Securities and Exchange Commission on March 23, 2021)
4.18†	Future Sales and Purchase Agreement dated March 16, 2021 between Bitmain Technologies Limited and NBTC Limited (incorporated by reference to Exhibit 10.15 to our Post-effective Amendment No. 3 to Registration Statement on Form F-1 (File No. 333-240331) filed with the Securities and Exchange Commission on March 23, 2021)
4.19	Securities Purchase Agreement dated March 17, 2021 between The9 Limited and Streeterville Capital, LLC (incorporated by reference to Exhibit 10.16 to our Post-effective Amendment No. 3 to Registration Statement on Form F-1 (File No. 333-240331) filed with the Securities and Exchange Commission on March 23, 2021)
4.20	Underwriting Agreement dated March 31, 2021 between The9 Limited and Maxim Group LLC (incorporated by reference to Exhibit 99.1 to Form 6-K (File Number: 001-34238) filed with the Securities and Exchange Commission on April 7, 2021)
4.21	Standby Equity Distribution Agreement dated August 27, 2021 between The9 Limited and YA II PN, LTD. (incorporated by reference to Exhibit 99.1 to Form 6-K (File Number: 001-34238) filed with the Securities and Exchange Commission on August 27, 2021)
4.22†	Translation of Shanghai Jiucheng Information Technology Co., Ltd. Equity Transfer Agreement dated December 10, 2021 between Zhimin Lin and Qi Wang (incorporated by reference to Exhibit 4.22 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on May 2, 2022)
4.23†	Translation of Equity Pledge Agreement dated December 10, 2021 between Huiling Computer Technology Consulting (Shanghai) Co., Ltd. and Qi Wang (incorporated by reference to Exhibit 4.23 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on May 2, 2022)
4.24†	Translation of Transfer Agreement of Contractual Interests dated December 10, 2021 among Zhimin Lin, Qi Wang, Wei Ji, Huiling Computer Technology Consulting (Shanghai) Co., Ltd. and Shanghai Jiucheng Information Technology Co., Ltd. (incorporated by reference to Exhibit 4.24 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on May 2, 2022)

Exhibit Number	Description of Document
4.25	Convertible Promissory Note dated November 9, 2023 issued by The9 Limited to Bripheno Pte. Ltd. (incorporated by reference to Exhibit 4.25 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on April 15, 2024)
4.26†	Warrant to Purchase Class A Ordinary Shares of The9 Limited dated November 9, 2023 between The9 Limited and Bripheno Pte. Ltd. (incorporated by reference to Exhibit 4.26 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on April 15, 2024)
4.27	Amendment Agreement to the Private Placement Securities Purchase Agreement and its Exhibits, Warrants, Convertible Promissory Note dated November 13, 2023 between The9 Limited and Bripheno Pte. Ltd. (incorporated by reference to Exhibit 4.27 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on April 15, 2024)
4.28*	Memorandum of Understanding dated July 7, 2021 between NBTC Limited and Binance Capital Management Co., Ltd
4.29*	Translation of Cooperation Agreement dated August 25, 2023 between LGHSTR Ltd. and Pool4Miners Limited Liability Partnership
4.30*	Translation of Agreement for the Provision of Services of Combining the Capacity of Hardware and Software Complex for Digital Mining of Digital Miners and Distribution of Digital Assets Obtained as a Result of Miner's Activities dated March 29, 2024 between LGHSTR Ltd. and Fish2Pool Kazakhstan Ltd
4.31†*	MIR M Game Publishing Agreement dated May 24, 2024 among Wemade Co. Ltd., China Crown Technology Limited and the Registrant
8.1*	List of Significant and Other Principal Subsidiaries and Variable Interest Entity of the Registrant
11.1	Amended Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 11.1 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on June 30, 2005)
11.2*	Amended and Restated Statement of Policies Governing Material Non-Public Information and the Prevention of Insider Trading
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Maples and Calder (Hong Kong) LLP
15.2*	Consent of Grandall Law Firm
15.3*	Consent of RBSM LLP, independent registered public accounting firm
97	Clawback Policy (incorporated by reference to Exhibit 97 to our Annual Report on Form 20-F (File No. 001-34238) filed with the Securities and Exchange Commission on April 15, 2024)
101.INS*	Inline XBRL Instance Document-this instance document does not appear in the Interactive Data File because its XBRL tags embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Exhibit 101 Inline XBRL document set)

* Filed with this Form 20-F.
** Furnished with this Form 20-F.
† Portions of this exhibit have been omitted for confidentiality purpose

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

The9 Limited

By: /s/ Jun Zhu
Name: Jun Zhu
Title: Chairman and Chief Executive Officer

Date: April 28, 2025

THE9 LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of The9 Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The9 Limited and subsidiaries (the "Group") as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and schedule 1 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved particularly challenging, subjective, or complex auditor judgment. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Cryptocurrency Mining Revenue Recognition

Description of the Matter

As discussed in Note 2 to the financial statements, the Group generates Bitcoin mining revenue through the provision of computing power, or hash rate, in crypto asset transaction verification services to the Bitcoin mining pool operators in exchange for non-cash consideration in Bitcoin. The provision of the computing power is the sole performance obligation in the Group's agreements with the mining pool operators. The Group's enforceable right to compensation begins only when, and lasts as long as, the Group provides computing power to the mining pool operators on a daily basis. The Group recognizes non-cash consideration on the same day that control of the contracted service is transferred to the mining pool operator, which is also the date of contract inception. For the years ended December 31, 2024, 2023, and 2022, the Group recognized cryptocurrency mining revenue of approximately RMB110.7 million (US$15.2 million), RMB168.3 million, and RMB97.9 million, respectively.

We identified cryptocurrency mining revenue recognition as a critical audit matter due to the significance of the revenue to the financial statements and the extent of audit effort required to test the occurrence and accuracy of revenue recognized by the Group.

How We Addressed the Critical Audit Matter in Our Audit

The primary audit procedures we performed to address this critical audit matter included the following, among others:

- We obtained an understanding of the agreements with mining pool operators and evaluated the terms relevant to the recognition of cryptocurrency mining revenue.
- We compared mining rewards recorded by the Group to data obtained directly from mining pool operators and public blockchain records.
- We recalculated expected revenue based on the computing power (hash rates) provided to mining pool operators and the contractual payout formula, and compared the results to the amounts recorded by the Group.
- We traced cryptocurrency receipts from the Group's digital wallet records to public blockchain transactions to independently verify the completeness and accuracy of recorded revenue.
- We evaluated the relevance and reliability of third-party public blockchain data used to verify the accuracy of the recorded revenue.

/s/ RBSM LLP

We have served as the Group's auditor since 2021.

New York, New York
April 28, 2025

THE9 LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024

	2022	2023	2024	2024
	RMB	RMB	RMB	US$
	(in thousands, except per share data)			(Note 3)
Revenues:				
Cryptocurrency mining revenue	97,857	168,324	110,739	15,171
Online game services and other revenues	7,072	5,721	975	134
	104,929	174,045	111,714	15,305
Total net revenues	**104,929**	**174,045**	**111,714**	**15,305**
Cost of cryptocurrency mining	(139,192)	(191,928)	(106,464)	(14,585)
Cost of online game services and other revenues	(13,115)	(21,251)	(6,854)	(939)
Total cost	**(152,307)**	**(213,179)**	**(113,318)**	**(15,524)**
Gross loss	**(47,378)**	**(39,134)**	**(1,604)**	**(219)**
Operating income (expenses):				
Product development	(2,433)	(1,970)	(856)	(117)
Sales and marketing	(3,496)	(1,729)	(246)	(34)
General and administrative	(359,935)	(196,790)	(157,832)	(21,623)
Impairment on advance and other assets	(23,657)	—	(794)	(109)
Impairment on cryptocurrency	(58,624)	—	—	—
Impairment on equipment	(176,874)	(161,002)	(6,505)	(891)
Realized gain on exchange cryptocurrencies	10,865	42,836	60,783	8,327
Fair value change on cryptocurrencies	—	40,036	48,290	6,616
Total operating expenses	**(614,154)**	**(278,619)**	**(57,160)**	**(7,831)**
Loss from operations	**(661,532)**	**(317,753)**	**(58,764)**	**(8,050)**
Loss on disposal of subsidiaries	(3,749)	(282)	(11,606)	(1,590)
Impairment on equity investments	(17,252)	—	—	—
Changes in fair value on other investments	(29,958)	3,490	(7,160)	(981)
Interest expense	(23,337)	(31,379)	(34,224)	(4,689)
Gain on fair value of derivative	37,250	23,171	45,037	6,170
Gain (loss) on disposal of equity investee and available-for-sale investments	712	1,666	(8)	(1)
Foreign currency exchange loss	(6,293)	(6,816)	(713)	(98)
Gain on extinguished liabilities of WoW	—	175,302	—	—
Other income (expenses), net	10,753	8,324	(5,082)	(696)
Loss from continuing operations before income tax expense and share of loss in equity method investments	**(693,406)**	**(144,277)**	**(72,520)**	**(9,935)**
Income tax expense	—	—	—	—
Share of loss in equity method investments	—	—	(1,122)	(154)
Loss from continuing operations	**(693,406)**	**(144,277)**	**(73,642)**	**(10,089)**
Discontinued operations:				
Loss from discontinued operations, net of tax	(286,086)	(1,956)	—	—
Gain on disposal of discontinued operations, net of tax	—	158,809	—	—
Gain (loss) from discontinued operations, net	**(286,086)**	**156,853**	**—**	**—**
Net income (loss)	**(979,492)**	**12,576**	**(73,642)**	**(10,089)**
Net loss attributable to noncontrolling interest	(4,633)	(7,427)	(218)	(30)
Net income (loss) attributable to The9 Limited	(974,859)	20,003	(73,424)	(10,059)
Net income(loss) attributable to shareholders of ordinary shares	**(974,859)**	**20,003**	**(73,424)**	**(10,059)**
Other comprehensive income (loss), net of tax:				
Currency translation adjustments	166	785	(148)	(20)
Total comprehensive income (loss)	**(979,326)**	**13,361**	**(73,790)**	**(10,109)**

THE9 LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024 (Continued)

	2022	2023	2024	2024
	RMB	RMB	RMB	US$
	(in thousands, except per share data)			(Note 3)
Comprehensive income (loss) attributable to:				
Noncontrolling interest	(4,633)	(7,427)	(218)	(30)
The9 Limited	(974,693)	20,788	(73,572)	(10,079)
Net income (loss) per share attributable to shareholders of ordinary shares:				
- Continuing operations – basic and diluted	(0.96)	(0.14)	(0.05)	(0.01)
- Discontinued operations – basic and diluted	(0.40)	0.16	—	—
- Total – basic and diluted	(1.36)	0.02	(0.05)	(0.01)
Weighted average number of shares outstanding:				
- Basic and diluted	720,237	1,010,895	1,403,166	1,403,166

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

THE9 LIMITED

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2024

	December 31, 2023 RMB	December 31, 2024 RMB (in thousands)	December 31, 2024 US$ (Note 3)
ASSETS			
Current assets:			
Cash and cash equivalents	45,222	10,911	1,495
Accounts receivable, net of allowance for doubtful accounts of RMB505,459 and 505,459 as of December 31, 2023 and 2024, respectively	56	—	—
Prepayments and other current assets, net of allowance for doubtful accounts of RMB40,425,650 and RMB39,576,920 as of December 31, 2023 and 2024, respectively	28,911	26,047	3,568
Amounts due from related parties	600	600	82
Cryptocurrencies	87,714	12,192	1,671
Cryptocurrencies, restricted	17,838	193,938	26,569
Total current assets	180,341	243,688	33,385
Investments	35,291	297,223	40,719
Call option assets	—	15,843	2,171
Property, equipment and software, net	94,329	16,549	2,267
Cryptocurrencies, restricted	2,409	—	—
Operating lease right-of-use assets, net	6,869	4,283	587
License asset	—	9,000	1,233
Deferred royalty costs	—	9,000	1,233
Other long-lived assets, net	44,486	41,058	5,625
TOTAL ASSETS	363,725	636,644	87,220
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY			
Current liabilities:			
Accounts payable (including accounts payable of the consolidated VIE without recourse to the Group of RMB5,426,376 and RMB5,426,820 as of December 31, 2023 and 2024, respectively)	9,599	5,528	758
Other taxes payable (including other taxes payable of the consolidated VIE without recourse to the Group of RMB1,385,034 and RMB1,388,109 as of December 31, 2023 and 2024, respectively)	1,502	1,466	201
Advances from customers (including advances from customers of the consolidated VIE without recourse to the Group of RMB10,352,171 and RMB9,702,171 as of December 31, 2023 and 2024, respectively)	12,714	10,228	1,401
Amounts due to related parties (including amounts due to related parties of the consolidated VIE without recourse to the Group of RMB44,056,900 and RMB44,056,900 as of December 31, 2023 and 2024, respectively)	11,677	9,658	1,323
Loan, net of deferred loan cost of nil and RMB 841,826 as of December 31, 2023 and 2024, respectively	—	89,102	12,207
Convertible notes (including convertible notes of consolidated VIE without recourse to the Group of nil as of both December 31, 2023 and 2024)	49,933	43,061	5,899
Conversion feature derivative liability	28,605	—	—
Interest payable (including interest payable of consolidated VIE without recourse to the Group of nil as of both December 31, 2023 and 2024)	274	1,480	203
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIE without recourse to the Group of RMB33,019,915 and RMB33,320,521 as of December 31, 2023 and 2024, respectively)	44,176	41,666	5,708
Current portion of operating lease liabilities of the consolidated VIE without recourse to the Group (including operating lease liabilities of consolidated VIE without recourse to the Group of RMB128,511 and RMB33,070 as of December 31, 2023 and 2024, respectively)	4,373	2,841	389
Deferred revenue	—	577	79
Total current liabilities	162,853	205,607	28,168
Convertible bonds	16,746	—	—
Put option liabilities	—	1,923	263
Non-current portion of operating lease liabilities of the consolidated VIE without recourse to the Group (including operating lease liabilities of consolidated VIE without recourse to the Group of RMB33,070 and nil as of December 31, 2023 and 2024)	2,788	1,604	220
TOTAL LIABILITIES	182,387	209,134	28,651
Commitments and contingencies (Note 32)			
Ordinary shares contingently redeemable (Note 30)	—	102,638	14,061
EQUITY			
Class A ordinary shares (US$0.01 par value; 4,300,000,000 shares authorized, 1,391,618,893 and 3,675,467,659 shares issued and outstanding as of December 31, 2023 and 2024, respectively)	95,375	258,481	35,412
Class B ordinary shares (US$0.01 par value; 600,000,000 shares authorized, 13,607,334 and 63,607,334 shares issued and outstanding as of December 31, 2023 and 2024, respectively)	944	4,490	615
Additional paid-in capital	4,471,156	4,510,451	617,929
Statutory reserves	7,327	7,327	1,004
Accumulated other comprehensive loss	(11,742)	(11,890)	(1,629)
Accumulated deficit	(4,356,786)	(4,430,210)	(606,936)
The9 Limited shareholders' equity	206,274	338,649	46,395
Noncontrolling interest	(24,936)	(13,777)	(1,887)
Total equity	181,338	324,872	44,508
TOTAL LIABILITIES, ORDINARY SHARES CONTINGENTLY REDEEMABLE AND SHAREHOLDERS' EQUITY	363,725	636,644	87,220

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Ordinary shares (US$0.01 par value)		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive loss	Accumulated (deficit) earnings	Equity attributable to The9 Limited	Noncontrolling interest	Total equity
	Number of shares	Par value RMB	RMB	RMB	RMB (in thousands)	RMB	RMB	RMB	RMB
Balance as of January 1, 2022	691,389	46,178	4,139,123	7,327	(12,694)	(3,403,462)	776,472	(13,015)	763,457
Net loss	—	—	—	—	—	(974,859)	(974,859)	(4,633)	(979,492)
Currency translation adjustments	—	—	—	—	166	—	166	—	166
Consolidated subsidiary	—	—	—	—	—	—	—	(123)	(123)
Share-based compensation	—	—	202,346	—	—	—	202,346	—	202,346
Issuance of ordinary shares	3,932	193	3,218	—	—	—	3,411	—	3,411
Cancellation of ordinary shares	(14,854)	(961)	(18,556)	—	—	—	(19,517)	—	(19,517)
Conversion of convertible debt into ordinary shares	180,578	12,193	45,097	—	—	—	57,290	—	57,290
Balance as of December 31, 2022	861,045	57,603	4,371,228	7,327	(12,528)	(4,378,321)	45,309	(17,771)	27,538

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023 (Continued)

	Ordinary shares (US$0.01 par value)		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive loss	Accumulated (deficit) earnings	Equity attributable to The9 Limited	Noncontrolling interest	Total equity
	Number of shares	Par value RMB	RMB	RMB	RMB (in thousands)	RMB	RMB	RMB	RMB
Balance as of January 1, 2023	861,045	57,603	4,371,228	7,327	(12,528)	(4,378,321)	45,309	(17,771)	27,538
Net income (loss)	—	—	—	—	—	20,003	20,003	(7,427)	12,576
Currency translation adjustments	—	—	—	—	786	—	786	—	786
Consolidated subsidiary	—	—	—	—	—	—	—	262	262
Share-based compensation	218,250	15,698	55,062	—	—	—	70,760	—	70,760
Cumulative effect from the adoption of ASU 2023-08	—	—	—	—	—	1,532	1,532	—	1,532
Issuance of convertible debt	150,000	10,765	32,297	—	—	—	43,062	—	43,062
Conversion of convertible debt into ordinary shares	175,931	12,253	12,569	—	—	—	24,822	—	24,822
Balance as of December 31, 2023	1,405,226	96,319	4,471,156	7,327	(11,742)	(4,356,786)	206,274	(24,936)	181,338

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

	Ordinary shares (US$0.01 par value)		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive loss	Accumulated (deficit) earnings	Equity attributable to The9 Limited	Noncontrolling interest	Total equity
	Number of shares	Par value RMB	RMB	RMB	RMB (in thousands)	RMB	RMB	RMB	RMB
Balance as of January 1, 2024	1,405,226	96,319	4,471,156	7,327	(11,742)	(4,356,786)	206,274	(24,936)	181,338
Net loss	—	—	—	—	—	(73,424)	(73,424)	(218)	(73,642)
Currency translation adjustments	—	—	—	—	(148)	—	(148)	—	(148)
Consolidated subsidiary	—	—	—	—	—	—	—	1,099	1,099
Deconsolidated subsidiary	—	—	—	—	—	—	—	10,278	10,278
Establishment of Joint Venture	678,683	48,685	(48,685)	—	—	—	—	—	—
Share-based compensation	257,970	18,394	44,063	—	—	—	62,457	—	62,457
Issuance of ordinary shares to exchange for investment	1,272,085	90,659	34,670	—	—	—	125,329	—	125,329
Conversion of convertible debt into ordinary shares	125,111	8,914	9,247	—	—	—	18,161	—	18,161
Balance as of December 31, 2024	3,739,075	262,971	4,510,451	7,327	(11,890)	(4,430,210)	338,649	(13,777)	324,872
Balance as of December 31, 2024 (US$ except share data, Note 3)	3,739,075	36,027	617,929	1,004	(1,629)	(606,936)	46,395	(1,887)	44,508

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

THE9 LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024

	2022 RMB	2023 RMB (in thousands)	2024 RMB	2024 US$ (Note 3)
Cash flows from operating activities:				
Net (loss) income	(979,492)	12,576	(73,642)	(10,089)
Adjustments to reconcile net (loss) income to net cash used in operating activities:				
Loss (gain) on disposal of property, equipment and software	(8,839)	(50)	7,345	1,006
Loss on disposal of subsidiaries	3,749	282	11,606	1,590
Gain on disposal of discontinued operations, net	—	(158,809)	—	—
Non-cash other income	(1,729)	(2,519)	(2,033)	(279)
Share-based compensation expenses	202,346	70,760	44,675	6,120
Impairment on equity investments	17,252	—	—	—
Changes in fair value on other investments	29,958	(3,490)	7,160	981
Impairment on advance and other assets	159,224	—	794	109
Impairment loss of equipment, intangible assets and long lived assets	176,874	161,002	6,505	891
Impairment of cryptocurrencies	58,624	—	—	—
Impairment on advances to suppliers	—	4,383	—	—
Provision for doubtful other receivables	20,836	—	—	—
Gain on extinguished liabilities of WoW	—	(175,302)	—	—
Gain from change in fair value of conversion feature derivative liability	(37,250)	(23,171)	(45,037)	(6,170)
Depreciation and amortization of property, equipment and software	91,381	86,866	61,464	8,421
Share of loss in equity method investments	—	—	1,122	154
Loss (gain) on disposal of investment in equity investee and available-for-sales investment	(712)	(1,666)	8	1
Foreign currency exchange loss	6,301	6,816	713	98
Amortization of discount and interest on convertible notes	23,197	25,967	30,289	4,150
Cancellation of ordinary shares	(1,876)	—	—	—
Payment of issuance cost by issuance of shares	(2,986)	—	—	—
Non-cash lease expense	5,112	4,975	4,384	601
Cryptocurrency mining revenue	(97,857)	(168,324)	(110,739)	(15,171)
Receipt of BTC from operating activities	—	—	(1,107)	(152)
Realized gain on exchange of cryptocurrencies	(10,865)	(42,836)	(60,783)	(8,327)
Change in fair value of cryptocurrencies	—	(40,036)	(48,290)	(6,616)
Receipt of ETH from operating activities	(10,171)	(433)	(4)	(1)
Receipt of USDT from exchange of other cryptocurrencies	(3,059)	(705)	(65,718)	(9,003)
Interest income-Cryptocurrencies	(15)	(131)	(87,296)	(11,960)
Purchase of cryptocurrencies by cash	(6,316)	—	—	—
Payment in cryptocurrencies for operating activities	83,434	153,167	104,186	14,273
Sale of cryptocurrencies for cash	5,637	70,539	109,023	14,936
Interest expense	—	—	1,194	164
Sale of cryptocurrencies for other cryptocurrencies	—	—	65,710	9,002
Changes in operating assets and liabilities:				
Change in accounts receivable	3,531	95	(54)	(7)
Change in advances to suppliers	2,751	30	—	—
Change in prepayments and other current assets	71,274	673	(3,020)	(414)
Change in right-of-use assets	—	—	(3,597)	(493)
Change in accounts payable	121,755	2,368	(1,256)	(172)
Change in other taxes payable	143	(149)	(36)	(5)
Change in advances from customers	(1,235)	267	222	30
Change in interest payable	1,193	(2,432)	1,243	170
Change in accrued expenses and other current liabilities	(71,722)	(21,213)	1,690	231
Change in lease liabilities	(4,485)	(5,820)	(918)	(126)
Net cash used in operating activities	(154,037)	(46,320)	(44,197)	(6,057)
Cash flows from investing activities				
Proceeds from disposal of other investments	16,638	5,163	5	1
Proceeds from disposal of property, equipment and software	407	4	145	20
Proceeds from financial products	800	—	—	—
Refund from subscribed tokens and other investment	4,500	1,500	—	—
Purchase of equity method investments	—	—	(10,641)	(1,458)
Purchase of other investments	(23,162)	—	(28,445)	(3,897)
Purchase of license asset	—	—	(9,000)	(1,233)
Purchase of deferred royalty costs	—	—	(9,000)	(1,233)
Decrease in cash and cash equivalents on disposal of subsidiaries	—	(85)	(82)	(11)
Purchase of property, equipment and software	(248,819)	(2,112)	—	—
Net cash (used in) provided by investing activities	(249,636)	4,470	(57,018)	(7,811)
Cash flows from financing activities:				
Proceeds from the issuance of convertible notes	33,704	85,349	—	—
Proceeds from BTC Mortgage loan	—	—	87,296	11,960
Loans from a related party	—	—	814	112
Repayment of loans / advances due to a related party	(2,631)	(9,482)	(2,834)	(388)
Proceeds from other loans	2,466	1,434	—	—
Repayments of other loans	(514)	(2,195)	—	—
Contribution from shareholders	40	262	1,099	151
Proceeds from equity financing	—	—	17,783	2,436
Repayments of convertible notes	—	(42,903)	(34,390)	(4,711)
Net cash provided by financing activities	33,065	32,465	69,768	9,560
Effect of foreign exchange rate changes on cash and cash equivalents	251	(3,457)	(2,864)	(392)
Net change in cash and cash equivalents	(370,357)	(12,842)	(34,311)	(4,700)
Cash and cash equivalents, beginning of year	428,421	58,064	45,222	6,195
Cash and cash equivalents, end of year	58,064	45,222	10,911	1,495
Supplemental disclosure of cash flow information:				
Interest paid	—	5,533	1,561	214
Income taxes paid	—	—	—	—
Non-cash investing and financing activities				
Investment in an investment security in exchange of mining machine	2,115	—	—	—
Investment in an investment security in USDT	635	—	—	—
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	10,810	(218)	1,798	246
Property and equipment acquired on credit as liabilities	—	198,637	—	—
USDT from disposal of mining machines and subsidiaries	3,756	8,731	2,283	313
Cumulative effect from the adoption of ASU 2023-08	—	1,531	—	—
Share issued for purchase of Bitcoin mining machine	17,640	—	—	—
Share issued for repayments of convertible notes	57,290	24,822	18,161	2,488
Restricted ordinary shares issued in exchange for investments	—	—	230,478	31,575
Call option assets	—	—	15,843	2,171
Put option liabilities	—	—	(1,923)	(263)

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

THE9 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

The accompanying consolidated financial statements include the financial statements of The9 Limited ("The9"), which was incorporated on December 22, 1999 in the Cayman Islands, its subsidiaries, the consolidated variable interest entity (the "VIE") and the subsidiaries of the VIE. The9 Limited, its subsidiaries, the VIE and the subsidiaries of the VIE are collectively referred to as the "Group", the "Company" or where appropriate, the terms the "Group", "we", "our", or "us" also referred to The9 Limited and subsidiaries, which included The9 Limited, its subsidiaries, the consolidated VIE and the subsidiaries of the VIE as a whole, unless specific reference is made to an entity.

The Group had been operating an online game business before the Group's listing until 2021, the Group has turned our business focus to blockchain business and are primarily engaged in the operation of cryptocurrency mining since 2022.

The Company's principal subsidiaries and VIE are as follows as of December 31, 2024:

Name of Entities	Date of Registration	Place of Registration	Legal Ownership
Principal subsidiaries:			
GameNow.net (Hong Kong) Ltd. ("*GameNow Hong Kong*")	January-2000	Hong Kong	100 %
China The9 Interactive Limited ("*C9I*")	October-2003	Hong Kong	100 %
China The9 Interactive (Beijing) Ltd. ("*C9I Beijing*")	March-2007	PRC	100 %
JiuTuo (Shanghai) Information Technology Ltd. (*"Jiu Tuo"*)	July-2007	PRC	100 %
China Crown Technology Ltd. ("*China Crown Technology"*)	November-2007	Hong Kong	100 %
Asian Way Development Ltd. *("Asian Way")*	November-2007	Hong Kong	100 %
Shanghai Jiu Gang Electronic Technology Ltd. ("*Jiu Gang*")	December-2014	PRC	100 %
Terry First Limited ("*Terry First*")	June-2021	UK	100 %
Lucky Pure Limited ("*Lucky Pure*")	September-2021	Cayman Islands	100 %
Gamewinhub Limited("*Gamewinhub*")	July-2023	Hong Kong	100 %
Vast Ocean International Limited("*Vast Ocean*")	April-2021	Hong Kong	100 %
The9 Singapore Pte. Ltd. ("*The9 Singapore*")	April-2010	Singapore	100 %
1111 Limited ("*1111*")	January -2018	Hong Kong	100 %
Supreme Exchange Limited ("*Supreme*")	December-2018	Malta	90 %
BET 111 Ltd. ("*Bet 111*")	January -2019	Malta	90 %
Coin Exchange Ltd ("*Coin*")	January -2019	Malta	90 %
The9 EV Limited ("*The9 EV*")	May-2019	Hong Kong	100 %
NBTC Limited ("*NBTC*")	June-2019	Hong Kong	100 %
Huiling Computer Technology Consulting (Shanghai) Co. Ltd. ("*Huiling*")	March-2019	PRC	100 %
Leixian Information Technology (Shanghai) Co., Ltd. ("*Leixian*")	March-2019	PRC	100 %
Shanghai Yuyou Network Technology Co., Ltd. ("*Yuyou*")	December-2016	PRC	100 %
Shanghai Yuanyu Network Technology Co., Ltd. ("*Yuanyu*")	November-2023	PRC	100 %
Hangzhou Niuxin Technology Co., Ltd. ("*Niuxin*")	August-2021	PRC	100 %
Variable interest entity:			
Shanghai The9 Information Technology Co., Ltd. ("*Shanghai IT*" or the "VIE") (Note 5)	September-2000	PRC	N/A

Subsidiaries of VIE or Shanghai IT:

Name of Entities	Date of Registration	Place of Registration	Legal Ownership Held by Shanghai IT
Shanghai Big data culture media Co., Ltd("*Big data*")	April-2007	PRC	68.0078 %
Silver Express Investments Ltd. ("*Silver Express*")	November-2007	Hong Kong	100 %
Shanghai Jiushi Interactive Network Technology Co., Ltd. ("*Jiushi*")	July-2011	PRC	80 %
Shanghai ShencaiChengjiu Information Technology Co., Ltd. ("*SH Shencai*")	May-2015	PRC	60 %
Shanghai Zhiaojiqi Information Technology Co., Ltd. ("*Shanghai Zhiaojiqi*")	November-2015	PRC	100 %
Wuxi Interest Dynamic Network Technology Co., Ltd. ("*Wuxi Qudong*")	June-2016	PRC	100 %
Shanghai Shuwan Culture Co., Ltd. ("*shuwan*")	July-2021	PRC	60 %
Shaoxing Jiuyu Network Technology Co., Ltd. ("Jiuyu")	September-2024	PRC	51 %
Suzhou The9 Information Technology Co., Ltd. ("Suzhou IT")	October-2024	PRC	51 %
Shenzhen Shuzhi Technology Co., Ltd. ("Shuzhi")	December-2024	PRC	51 %

2. PRINCIPAL ACCOUNTING POLICIES

<1> Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

The consolidated financial statements include the accounts of the Company and include the assets, liabilities, revenues and expenses of wholly owned and majority owned subsidiaries, VIE and subsidiaries of the VIE over which the Company exercises control and, when applicable, entity for which the Company has a controlling financial interest or is the primary beneficiary. All inter-company accounts and transactions have been eliminated in consolidation.

<2> Consolidation

The consolidated financial statements include the financial statements of The9 Limited, its subsidiaries and VIE in which it has a controlling financial interest. A subsidiary is consolidated from the date on which the Group obtained control and continues to be consolidated until the date that such control ceases. A controlling financial interest is typically determined when a company holds a majority of the voting equity interest in an entity. If the Group demonstrates its ability to control a VIE through its rights to all the residual benefits of the VIE and its obligation to fund losses of the VIE, then the VIE is consolidated. All intercompany balances and transactions between The9 Limited, its subsidiaries and VIE and its subsidiaries have been eliminated in consolidation.

In April 2010, the Group acquired a controlling interest in Red 5. In June 2016, the Group completed a share exchange transaction with L&A International Holding Limited ("L&A") and certain other shareholders of Red 5. After the transaction, the Group owned 34.71% shareholding in Red 5. As the Group controlled a majority of Board of Director seats and had continuously funded to the operation of Red 5, the Group retained effective control over Red 5 and Red 5 remained as a consolidated entity of the Group as of June 29, 2021. On June 29, 2021, two directors appointed by the Group resigned from Red 5 and the Group confirmed it will not assign new directors to Red 5 in the future. The Group lost control of Red 5 and no longer consolidate of Red 5 effective on July 1, 2021.

PRC laws and regulations currently prohibit or restrict foreign ownership of internet-related business. In September 2009, the General Administration of Press and Publication Radio, Film and Television ("GAPPRFT") further promulgated the Circular Regarding the Implementation of the Department Reorganization Regulation by State Council and Relevant Interpretation by State Commission Office for Public Sector Reform to Further Strengthen the Administration of Pre-approval on Online Games and Approval on Import Online Games (the "GAPP Circular"). Pursuant to Administrative Measures on Network Publication (the "Network Publication Measures") jointly issued by GAPPRFT and the Ministry of Information Industry (which has subsequently been reorganized as the Ministry of Industry and Information Technology) ("MIIT") on February 4, 2016, effective from March 2016, wholly foreign-owned enterprises, Sino-foreign equity joint ventures and Sino-foreign cooperative enterprises shall not engage in the provision of web publishing services, including online game services. Prior examination and approval by GAPPRFT are required on project cooperation involving internet publishing services between an internet publishing services and a wholly foreign-owned enterprise, Sino-foreign equity joint venture, or Sino-foreign cooperative enterprise within China or an overseas organization or individual. It is unclear whether PRC authorities will deem the Group's VIE structure as a kind of such "manners of cooperation" by foreign investors to gain control over or participate in domestic online game operators, and it is not clear whether GAPPRFT and MIIT have regulatory authority over the ownership structures of online game companies based in China and online game operations in China. Therefore, the Group believes that its ability to direct those activities of its VIE and its subsidiaries that most significantly impact their economic performance is not affected by the GAPP Circular.

<3> Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting periods. The most significant accounting estimates reflected in the Group's consolidated financial statements include allowance for doubtful accounts, assessment of impairment of property, equipment and software, and other long-lived assets, assessment of impairment of advances to suppliers and other advances, incremental borrowing rates for lease assessment, fair value of the warrants, fair value of conversion feature, share-based compensation expenses, consolidation of VIE and its subsidiaries, valuation allowances for deferred tax assets, and contingencies. Such accounting policies are affected significantly by judgments, assumptions and estimates used in the preparation of the Group's consolidated financial statements, and actual results could differ materially from these estimates.

<4> Foreign currency translation

The Group's reporting currency is the Renminbi ("RMB"). The Group's functional currency, with the exception of its subsidiaries, NBTC US Inc., The9 Singapore Pte. Ltd. is the RMB. The functional currency of, NBTC US Inc. and The9 Singapore Pte. Ltd, is the United States dollar ("US$" or "U.S. dollar"). Assets and liabilities of, NBTC US Inc., and The9 Singapore Pte. Ltd. are translated at the current exchange rates quoted by the People's Bank of China (the "PBOC") in effect at the balance sheet dates. Equity accounts are translated at historical exchange rates and revenues and expenses are translated at the average exchange rates in effect during the reporting period to RMB. Gains and losses resulting from foreign currency translation to reporting currency are recorded in accumulated other comprehensive income (loss) in the consolidated statements of changes in equity for the years presented.

Transactions denominated in currencies other than functional currencies, are translated into functional currencies at the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from foreign currency transactions are included in the consolidated statements of operations and comprehensive income (loss). Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies using the applicable exchange rates at the balance sheet dates. All such exchange gains and losses are included in foreign exchange loss in the consolidated statements of operations and comprehensive income (loss).

<5> Cash and cash equivalents

Cash and cash equivalents represent cash on hand, cash in banks and highly liquid investments with a maturity date when acquired of three months or less. As of December 31, 2023 and 2024, cash and cash equivalents were comprised primarily of bank deposits where cash is deposited with reputable financial institutions. Included in cash and cash equivalents as of December 31, 2023 and 2024 are amounts denominated in U.S. dollar totaling US$5.8 million and US$0.6 million, respectively.

The RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the PBOC, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in China's foreign exchange trading system market. The Group's aggregate amount of cash and cash equivalents denominated in RMB amounted to RMB2.3 million and RMB6.6 million (US$0.9 million) as of December 31, 2023 and 2024, respectively.

The Group's operations are carried out in the PRC. Accordingly, the Group's business, financial condition, and results of operations may be influenced by the political, economic, and legal environment in the PRC, and by the general state of the economy of the PRC. The Group's operations in the PRC are subject to specific considerations and significant risks not typically associated with companies in North America. The Group's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things. Financial instruments which potentially subject the Group to concentrations of credit risk consist principally of cash and trade accounts receivable. Per PRC regulations, the maximum insured bank deposit amount is RMB 500,000 (US$ 68,500) on December 31, 2024 exchange rate) for each depositor per financial institution. The Group's total unprotected cash held in bank amounted to approximately RMB 33.3 million and RMB 4.1 million (US$ 0.6 million), as of December 31, 2023 and 2024, respectively. The Group has not experienced any losses in such accounts and believes it is not exposed to any risks on its cash held in bank accounts.

The Group's subsidiary has bank accounts held in the United States. The combined account balances at each institution located in the United States typically exceed FDIC insurance coverage of RMB 1.8 million (US$250,000), per depositor. The Group's total unprotected cash held in bank amounted to approximately $nil and $nil, as of December 31, 2024 and 2023, respectively. The Group has not experienced any losses in such accounts and believes it is not exposed to any risks on its cash held in bank accounts

<6> Allowance for doubtful accounts

Effective on January 1, 2020, the Group adopted Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost and is codified in Accounting Standards Codification ("ASC") Topic 326, Credit Losses ("ASC 326"). ASU 2016-13 replaced the existing incurred loss impairment model and introduces an expected loss approach with macroeconomic forecasts referred to as a current expected credit losses ("CECL") methodology, which resulted in more timely recognition of credit losses. There was no significant impact on its consolidated financial statements and related disclosures as a result. Under the incurred loss methodology, credit losses are only recognized when the losses are probable of having been incurred. The CECL methodology requires that the full amount of expected credit losses for the lifetime of the financial instrument be recorded at the time it is originated or acquired, considering relevant historical experience, current conditions and reasonable and supportable macroeconomic forecasts that affect the collectability of financial assets, and adjusted for changes in expected lifetime credit losses subsequently, which may require earlier recognition of credit losses.

Accounts receivable mainly consist of receivables from third-party game platforms, and other receivables, which are included in prepayments and other current assets, both of which are recorded net of allowance for doubtful accounts. Allowances for doubtful accounts are charged to general and administrative expenses. The Group provided an allowance for doubtful accounts of RMB20.8 million, 17.8 million and nil for the years ended December 31, 2022, 2023 and 2024, respectively. The Group has written-off an amount of RMB3.8 million, RMB0.1 million and RMB 0.8 million (US$ 0.1 million) for the years ended December 31, 2022, 2023 and 2024, respectively.

<7> Investments in equity method investee and loan to equity method investee

Equity investments are comprised of investments in privately held companies. The Group uses the equity method to account for an equity investment over which it has the ability to exert significant influence but does not otherwise have control. The Group records equity method investments at the cost of acquisition, plus the Group's share in undistributed earnings and losses since acquisition. For equity investments over which the Group does not have significant influence or control, the cost method of accounting is used.

The Group has historically provided financial support to certain equity investees in the form of loans. If the Group's share of the undistributed losses exceeds the carrying amount of an investment accounted for by the equity method, the Group continues to report losses up to the investment carrying amount, including any loans balance due from the equity investees.

The Group assesses its equity investments and loans to equity investees for impairment on a periodic basis by considering factors including, but not limited to, current economic and market conditions, the operating performance of the investees including current earnings trends, the technological feasibility of the investee's products and technologies, the general market conditions in the investee's industry or geographic area, factors related to the investee's ability to remain in business, such as the investee's liquidity, debt ratios, cash burn rate, and other company-specific information including recent financing rounds. If it has been determined that the equity investment is less than its related fair value and that this decline is other-than-temporary, the carrying value of the investment and loan to equity investee is adjusted downward to reflect these declines in value.

<8> Property, equipment and software, net

Property, equipment and software are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	Shorter of respective lease term or estimated useful life
Computer and equipment	26 months to 4 years
Software	5 years
Office furniture and fixtures	3 years
Motor vehicles	5 years
Office buildings	10 to 20 years

Management has assessed the basis of depreciation of the Group's Crypto-currency Machines used to verify digital currency transactions and generate digital currencies and believes they should be depreciated over a 3 year period. The rate at which the Group generates digital assets and, therefore, consumes the economic benefits of its transaction verification servers are influenced by a number of factors including the following:

- the complexity of the transaction verification process which is driven by the algorithms contained within the bitcoin open source software;

- the general availability of appropriate computer processing capacity on a global basis (commonly referred to in the industry as hashing capacity which is measured in Petahash units); and

- technological obsolescence reflecting rapid development in the transaction verification server industry such that more recently developed hardware is more economically efficient to run in terms of digital assets generated as a function of operating costs, primarily power costs i.e. the speed of hardware evolution in the industry is such that later hardware models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase.

The Group operates in an emerging industry for which limited data is available to make estimates of the useful economic lives of specialized equipment. Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. This assessment takes into consideration the availability of historical data and management's expectations regarding the direction of the industry including potential changes in technology. Management will review this estimate annually and will revise such estimates as and when data comes available.

To the extent that any of the assumptions underlying management's estimate of useful life of its transaction verification servers are subject to revision in a future reporting period either as a result of changes in circumstances or through the availability of greater quantities of data then the estimated useful life could change and have a prospective impact on depreciation expense and the carrying amounts of these assets.

<9> Cryptocurrencies

Cryptocurrencies (including Bitcoin, USDT, ETH, and Filecoin) are included in current assets in the accompanying consolidated balance sheets. Cryptocurrencies purchased are recorded at cost and Cryptocurrencies awarded to the Group through its mining activities are accounted for in connection with the Group's revenue recognition policy disclosed below.

Effective January 1, 2023, the Group has elected to early adopt ASU No. 2023-08. As a result of the adoption of ASU 2023-08, cryptocurrencies are recorded at fair value, and changes in fair value are recognized in Change in fair value of cryptocurrencies, under Operating income (expenses) on the Consolidated Statements of Operations and Comprehensive Income (Loss), as of, and for the years ended December 31, 2023 and 2024. The Group tracks its cost basis of cryptocurrencies in accordance with the first-in-first-out ("FIFO") method of accounting. See Note 12 – Cryptocurrencies, for further information regarding the Group's impact of the adoption of ASU 2023-08.

Prior to the adoption of ASU 2023-08, the Group accounted for its cryptocurrencies as intangible assets with an indefinite useful life in accordance with ASC 350, Intangibles – Goodwill and Other. Cryptocurrencies were sold on a FIFO basis and measured for impairment whenever indicators of impairment are identified based on the intraday lowest quoted price of the crypto assets. To the extent an impairment loss was recognized, the loss established the new cost basis of the crypto assets. Subsequent reversal of impairment losses was not permitted.

Cryptocurrencies are classified on the Group's Consolidated Balance Sheets as current assets due to the Group's ability to sell them in a highly liquid marketplace, as our cryptocurrencies are reasonably expected to be realized in cash or sold or consumed during the normal operation cycle of our business to support operations when needed.

Pledged Cryptocurrencies are classified on the Groups' Consolidated Balance Sheets as Cryptocurrencies, restricted, which will be released within one year are included in the current assets, as they are reasonable expected to be realized in cash or sold or consumed during the normal operation cycle of our business. Cryptocurrencies, restricted, which will be released over one year are included in the non-current assets.

Cryptocurrencies awarded to the Company through its mining activities as noncash consideration are included within operating activities on the accompanying consolidated statements of cash flows. Purchase and sales of Cryptocurrencies and converted nearly immediately into cash, the cash received is classified as Operating activities on the Consolidated Statements of Cash Flows.

<10> Impairment of long-lived assets

The Group evaluates its long-lived assets, including finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or that the useful life is shorter than the Group had originally estimated. The Group assesses the recoverability of the long-lived assets by comparing the carrying amount to the estimated future undiscounted cash flow expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the fair value of the assets.

Indefinite-lived intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the intangible asset to its carrying amount. If the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to that excess.

<11> Revenue recognition

The Group recognizes revenues when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration expected to be entitled to in exchange for those goods or services. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. The Group does not believe that significant management judgments are involved in revenue recognition. Under ASC 606, Revenue from contracts with customers, the core principle of the revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when the Company satisfies a performance obligation.

In order to identify the performance obligations in a contract with a customer, a company must assess the promised goods or services in the contract and identify each promised good or service that is distinct. A performance obligation meets ASC 606's definition of a "distinct" good or service (or bundle of goods or services) if both of the following criteria are met: The customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct), and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

If a good or service is not distinct, the good or service is combined with other promised goods or services until a bundle of goods or services is identified that is distinct.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When determining the transaction price, an entity must consider the effects of all of the following:

- Variable consideration
- Constraining estimates of variable consideration

- The existence of a significant financing component in the contract
- Noncash consideration
- Consideration payable to a customer

Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The transaction price is allocated to each performance obligation on a relative standalone selling price basis. The transaction price allocated to each performance obligation is recognized when that performance obligation is satisfied, at a point in time or over time as appropriate.

Cryptocurrency Mining Revenue

The Group's cryptocurrency mining revenues are in Bitcoin. The Group generates our Bitcoin mining revenues through the provision of computing power, or hash rate, in crypto asset transaction verification services to Bitcoin mining pool operators in exchange for non-cash consideration in Bitcoin. The provision of computing power is the sole performance obligation in the Group's agreements with the mining pool operators and is satisfied over time. The Group is entitled to receive a fractional share of the Bitcoin award (less mining pool fees deducted by the mining pool operators) from the Bitcoin mining pool operators based on the daily computing power provided to the mining pool operators. The Contract inception and the Group's enforceable right to compensation begins only when, and lasts as long as, the Group provides computing power to the mining pool operator on a daily basis. The contract is terminable at any time either by the Company or the mining pool operator without any penalty to either party. As such, the termination option results in a contract that continuously renews and therefore has a duration for accounting purposes of less than 24 hours. However, the continual renewal of the agreement does not represent a material right requiring separate performance obligations, as the contractual payout formula remains the same upon each renewal.

Currently, the Group only participates in a Full-Pay-Per-Share ("FPPS") mining pool. The FPPS payout model of Bitcoin is based on a contractual formula, which primarily calculates the hash rate provided to the mining pool as a percentage of total network hash rate, and other inputs, less mining pool fees. The Group is entitled to compensation once it begins to provide computing power that measures in hash rate to the mining pool operator over a 24-hour period beginning midnight UTC and ending 23:59:59 UTC on the same day of contract inception. The Group recognizes non-cash consideration on the same day that control of the contracted service is transferred to the mining pool operator, which is the same day as the contract inception.

The transaction consideration the Group received, if any, is noncash consideration in the form of Bitcoin. Changes in the fair value of the noncash consideration after contract inception due to the form of the consideration (changes in the market price of Bitcoin) are not included in the transaction price and, therefore, are not included in revenue.

The consideration is all variable. Because it is probable that a significant reversal of cumulative revenue will not occur and we are able to calculate the payout based on the contractual formula, noncash consideration is recognized based on the spot price of Bitcoin determined using our principal market for Bitcoin at the inception of each contract, which is on a daily basis. Noncash consideration is measured at fair value at contract inception. The fair value of the cryptocurrency consideration is determined using the quoted price per our principal market for Bitcoin at the beginning of the contract period, which is the same day that control of the contracted service is transferred to the mining pool operator. This amount (less mining pool fees deducted by the mining pool operator) is recognized as revenue as hash rate is provided to the mining pool operator.

Online game services

The Group earns revenue from provision of online game operation services to players on the Group's game servers and third-party platforms and overseas licensing of the online game to other operators. The Group grants operation right on authorized games, together with associated services which are rendered to the customers over time. The Group adopts virtual item / service consumption model for the online game services. Players can access certain games free of charge, but many purchase game points to acquire in-game premium features. The Group may act as principal or agent through the various transaction arrangements.

The determination on whether to record the revenue gross or net is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has general inventory risk; (iii) changes the product or performs part of the services; (iv) has latitude in establishing the selling price; (v) has involvement in the determination of product or service specifications. The assessment is performed for all licensed online games.

When acting as principal

Revenues from online game operation operated through telecom carriers and certain online games operators are recognized upon consumption of the in-game premium features based on gross revenue sharing-payments to third-party operators, but net of value-added tax ("VAT"). The Group earns revenue from the sale of in-game virtual items. Revenues are recognized as the virtual items are consumed or over the estimated lives of the virtual items, which are estimated by considering the average period that players are active and players' behavior patterns derived from operating data. Accordingly, commission fees paid to third-party operators are recorded as cost of revenues.

When acting as agent

With respect to games license arrangements entered into by third-party operators, if the terms provide that (i) third-party operators are responsible for providing game desired by the game players; (ii) the hosting and maintenance of game servers for running the games is the responsibility of third-party operators; (iii) third-party operators have the right to review and approve the pricing of in-game virtual items and the specification, modification or update of the game made by the Group; and (iv) publishing, providing payment solution and market promotion services are the responsibilities of third-party operators and the Group is responsible to provide intellectual property licensing and subsequent technical services, then the Group considers itself as an agent of the third-party operators in such arrangement with game players. Accordingly, the Group records the game revenues from these licensed games, net of amounts paid to the third-party operators.

Licensing revenue

The Group licenses its online games, most of which are developed in house, to third parties. The Group receives monthly revenue-based royalty payments from the third-party licensee operators. Monthly revenue-based royalty payments are recognized when the relevant services are delivered, provided that collectability is reasonably assured. The Group views the third-party licensee operators as its customers and recognizes revenues on a net basis, as the Group does not have the primary responsibility for fulfillment and acceptability of the game services. The Group receives additional up-front license fees from certain third-party licensee operators who are entitled to an exclusive right to access the games where initial license fee is allocated solely on the license. License fees are recognized as revenue evenly throughout the license period after commencement of the game, given that the Group's intellectual property rights subject to the license are considered to be symbolic and the licensee has the right to access such intellectual property rights as they exist over time when the license is granted.

Other than Bitcoins, the Group is also engaged in the mining of Filecoins. The Group generates Filecoins mining income through provision of computing storage space to the main networks. In exchange for that, The Group is entitled to receive a fractional share of the Filecoins awards from the main networks.

For Filecoin mining, unlike other cryptocurrency mining, Filecoin mining main network requires miners not only to contribute mining machines with computing storage space, but miners also need to pledge certain amount of Filecoins to the main network to start the Filecoin mining. Then Filecoin main network will continuously reward the miners by Filecoin awards. Upon the end of the mining process, which is typically a 540 days process, the Filecoin main network will release the pledged Filecoins to the miners. The Group cooperates with a third party company where we contribute mining machines and the third party contributes Filecoins for pledging to the Filcoin main network. Under this mining cooperation, the Filecoins mined are distributed to the third party ahead of us according to the agreed distribution schedule. Therefore, in the early stage of the 540 days mining process, the Group did not own any Filecoin. Since it is not probable that a significant reversal of cumulative income will not occur, the Group does not recognize any Filecoin mining income before the Group starts to own the Filecoins being mined. The Group started to own the Filecoins being mined from January 1, 2022. The Group relies on a Filecoin mining company to manage the Filecoin mining instead of managing by itself as the Bitcoin mining operation. The Group cannot control the timing and quantity if any of Filecoin to receive and earn. Accordingly, the Group only records Filecoin income as investment income when it actually receives the Filecoin in its cryptocurrency wallet. The Filecoin income is included in other income line item in the accompanying consolidated statements of operations and comprehensive income (loss) in the amount of RMB0.8 million and RMB1.5 million and RMB 2 million (US$0.3 million) for the years ended December 31, 2022,2023 and 2024, respectively.

<12> Advances from customers

The Group licenses proprietary games to operators in other countries and receives license fees and royalty income. License fees received in advance of the monetization of the game is recorded in advances from customers.

<13> Convertible notes

Convertible Notes and Beneficial Conversion Feature ("BCF")

The Group evaluates its convertible debt, options, warrants or other contracts, if any, to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with Accounting Standards Codification Topic 815, Accounting for Derivative Instruments and Hedging Activities ("ASC 815") as well as related interpretations of this standard and Accounting Standards Update 2020-06, which was adopted by the Group effective January 1, 2021. The Group recognizes derivative instruments as either assets or liabilities in the balance sheet and are measured at fair values with gains or losses recognized in earnings. Embedded derivatives that are not clearly and closely related to the host contract are bifurcated and are recognized at fair value with changes in fair value recognized as either a gain or loss in earnings. The result of this accounting treatment is that the fair value of the derivative instrument is marked-to-market each balance sheet date and with the change in fair value recognized in the statement of operations as other income or expense.

Upon conversion, exercise or cancellation of a derivative instrument, the instrument is marked to fair value at the date of conversion, exercise or cancellation then that the related fair value is removed from the books. Gains or losses on debt extinguishment are recognized in the statement of operations upon conversion, exercise or cancellation of a derivative instrument after any shares issued in such a transaction are recorded at market value. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Instruments that become a derivative after inception are recognized as a derivative on the date they become a derivative with the offsetting entry recorded in earnings.

The Group determines the fair value of derivative instruments and hybrid instruments, considering all of the rights and obligations of each instrument, based on available market data using the Black-Scholes model, adjusted for the effect of dilution, because it embodies all of the requisite assumptions (including trading volatility, estimated terms, and risk-free rates) necessary to fair value these instruments. For instruments in default with no remaining time to maturity the Group uses a one-year term for their years to maturity estimate unless a sooner conversion date can be estimated or is known. Estimating fair values of derivative financial instruments requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques (such as Black-Scholes model) are highly volatile and sensitive to changes in the trading market price of our common stock.

ASU 2020-06 changed the accounting for convertible instruments. It requires convertible debt instruments to be accounted for under one of the following three models: embedded derivative, substantial premium, or no proceeds allocated (traditional debt) models. It eliminated the cash conversion and beneficial conversion feature models.

<14>Warrants

The Group accounts for the warrants issued in connection with equity-linked instrument under authoritative guidance on accounting from ASC 480, Distinguishing Liabilities from Equity and ASC 815, Derivatives and Hedging. The Group classifies warrants in its consolidated balance sheet as a liability or equity based on the nature and characteristics of each warrant issued. For those warrants classified as equity, there is no remeasurement to the warrants after initial recognition. For those warrants classified as liability, the proceeds are allocated first to the liability classified warrants at the full fair value then the remaining proceeds allocated to the equity instruments offered. The warrants are initially recognized on its fair value as of issuance date then remeasured at each reporting period and adjusted to fair value. The changes in the fair value of the warrant liability are recorded in the income of the period.

<15> Cost of revenues

Cost of revenues consists primarily of electricity of cryptocurrency mining, online game royalties, payroll, revenue sharing to third-party game platform, telecom carriers and other suppliers, maintenance and rental of Internet data center sites, depreciation and amortization of computer equipment and software, and other overhead expenses directly attributable to the services provided.

<16> Product development costs

For software development costs, including online games, to be sold or marketed to customers, the Group expenses software development costs incurred prior to reaching technological feasibility. Once a software product has reached technological feasibility, all subsequent software costs for that product are capitalized until that product is released for marketing. After an online game is released, the capitalized product development costs are amortized over the estimated product life. For the years ended December 31, 2022, 2023 and 2024, although software products have reached technological feasibility, total software costs incurred subsequent to reaching technological feasibility were immaterial and therefore not capitalized.

For website and internally used software development costs, the Group expenses all costs incurred in connection with the planning and implementation phases of development and costs that are associated with repair or maintenance of the existing websites and software. Costs incurred in the application and infrastructure development phase are capitalized and amortized over the estimated product life. Since the inception of the Group, the amount of internally generated costs qualifying for capitalization has been immaterial and, as a result, all website and internally used software development costs have been expensed as incurred.

Product development costs consist primarily of outsourced research and development, payroll, depreciation charges and other overhead for the development of the Group's proprietary games. Other overhead product development costs include costs incurred by the Group to develop, maintain, monitor, and manage its websites.

<17> Sales and marketing expenses

Sales and marketing expenses consist primarily of advertising and promotional expenses, payroll and other overhead expenses incurred by the Group's sales and marketing personnel. Advertising expenses in the amount of RMB 10.1 million, RMB 0.2 million and nil for the years ended December 31, 2022, 2023 and 2024, respectively, were expensed as incurred.

<18> Government grants

Unrestricted government subsidies from local government agencies allowing the Group full discretion to utilize the funds were RMB 0.06 million, nil and RMB 0.03 million (US$0.004 million) for the years ended December 31, 2022, 2023 and 2024, respectively, which were recorded in other income, net in the consolidated statements of operations and comprehensive income (loss).

<19> Share-based compensation

The Group has granted share-based compensation awards to certain employees under several equity plans. The Group measures the cost of employee services received in exchange for an equity award, based on the fair value of the award at the date of grant. Share-based compensation expense is recognized net of estimated forfeitures, determined based on historical experience. The Group recognizes share-based compensation expense over the requisite service period. For performance and market-based awards which also require a service period, the Group uses graded vesting over the longer of the derived service period or when the performance condition is considered probable. The Company determines the grant date fair value of stock options using a Black-Scholes Model with assumptions made regarding expected term, volatility, risk-free interest rate, and dividend yield. The Group evaluates the fair value of the subsidiary by making judgments and assumptions about the projected financial and operating results of the subsidiary. Once the equity value of the subsidiary is determined, it is allocated (as applicable) into the various classes of shares and options using the option-pricing method, which is one of the generally accepted valuation methodologies. On January 1, 2019, the Group adopted ASU 2018-07, *Compensation-Stock Compensation (Topic 718): Improvement to Nonemployee Share-based Payment Accounting* ("ASU 2018-07") to amend the accounting for share-based payment awards issued to nonemployees. Under ASU 2018-07, the accounting for awards to non-employees is similar to the model for employee awards.

The expected term represents the period of time that stock-based awards granted are expected to be outstanding. The expected term of stock-based awards granted is determined based on historical data on employee exercise and post-vesting employment termination behavior. Expected volatilities are based on historical volatilities of the Company's ordinary shares. Risk-free interest rate is based on United States government bonds issued with maturity terms similar to the expected term of the stock-based awards.

The Group recognizes compensation expense, net of estimated forfeitures, on all share-based awards on a straight-line basis over the requisite service period, which is generally a one-to-four-year vesting period or in the case of market-based awards, over the greater of the vesting period or derived service period. Forfeiture rate is estimated based on historical forfeiture patterns and adjusted to reflect future changes in circumstances and facts, if any. If actual forfeitures differ from those estimates, the estimates may need to be revised in subsequent periods. The Group uses historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest.

For stock option modifications, the Group compares the fair value of the original award immediately before and after the modification. For modifications, or probable-to-probable vesting conditions, the incremental fair value of fully vested awards is recognized as expense on the date of the modification, with the incremental fair value of unvested awards recognized ratably over the new service period.

<20> Leases

The Group applied ASC 842, *Leases*, on January 1, 2019 on a modified retrospective basis and has elected not to recast comparative periods. Right-of-use ("ROU") assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. The operating lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. As most of the Group's leases do not provide an implicit rate, the Company uses the PBOC's incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Group's lease terms may include options to extend or terminate the lease. Renewal options are considered within the ROU assets and lease liability when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For operating leases with a term of one year or less, the Group has elected to not recognize a lease liability or ROU asset on its consolidated balance sheet. Instead, it recognizes the lease payments as expense on a straight-line basis over the lease term. Short-term lease expense is immaterial to its consolidated statements of operations, comprehensive income (loss), and cash flows. The Group has operating lease agreements with insignificant non-lease components and has elected the practical expedient to combine and account for lease and non-lease components as a single lease component.

<21> Income taxes

Current income taxes are provided for in accordance with the laws and regulations applicable to the Group as enacted by the relevant tax authorities. Income taxes are accounted for under the asset and liability method. Deferred taxes are determined based upon differences between the financial reporting and tax bases of assets and liabilities at currently enacted statutory tax rates for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized as income in the period of change. A valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that such deferred tax assets will not be realized. The total income tax provision includes current tax expenses under applicable tax regulations and the change in the balance of deferred tax assets and liabilities.

The Group recognizes the impact of an uncertain income tax position at the largest amount that is more-likely-than not to be sustained upon audit by the relevant tax authority. Income tax related interest is classified as interest expenses and penalties as income tax expense. Since February 2021, the Group started the cryptocurrency mining business in China. In September 2021, due to regulatory reason, the Group ceased the cryptocurrency mining business in China and started to conduct such business out of China. From February to September 2021, the Group did not sell any cryptocurrency for fiat. As such, there is no tax impact in China. We actually did not use "more-likely-than-not" criteria to measure our tax position. All our mining is conducted by our HK and US subsidiaries. For HK, it's offshore activities and not taxable. For US, it is loss making. Should there be any update in China tax laws on mining revenue, we will accrue and pay any relevant taxes according to tax laws.

<22> Ordinary shares contingently redeemable

Ordinary shares contingently redeemable are the restricted shares issued by the Group with repurchase clauses. The Group's consideration shares issued are redeemable and are presented as a temporary equity in the mezzanine section of the balance sheet.

<23> Noncontrolling interest

A noncontrolling interest in a subsidiary or VIE of the Group represents the portion of the equity (net assets) in the subsidiary or VIE not directly or indirectly attributable to the Group. Noncontrolling interests are presented as a separate component of equity in the consolidated balance sheets and modifies the presentation of net (loss) income by requiring earnings and other comprehensive income loss to be attributed to controlling and noncontrolling interest.

<24> (Loss) income per share

Basic (loss) income per share is computed by dividing net (loss) income attributable to the holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year. Diluted (loss) income per share is calculated by dividing net income (loss) attributable to the holders of ordinary shares as adjusted for the effect of dilutive ordinary share equivalents, if any, by the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during the period. Ordinary share equivalents of stock options and warrants are calculated using the treasury stock method. However, ordinary share equivalents are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive, such as in a period in which a net loss is recorded.

<25> Segment reporting

Operating segments are defined as components of an enterprise for which separate financial information is available and regularly reviewed by the CODM to make strategic decisions, allocate resources, and assess financial performance. The Group's operating segments are aggregated into reportable segments only if they exhibit similar economic characteristics and have similar business activities. The Group's Chief Executive Officer ("CEO") serves as the CODM, responsible for strategic decisions regarding operations and financial management. As of December 31, 2024, the Group has two reportable segments, each evaluated separately by the CODM: crypto mining business and Other (Other consists of corporate and Online game services and others). The CODM uses revenue, expenses, and segment assets of the Group's two reportable segments to assess their performance. The Group generates its revenues from customers in Greater China, Asia/Eastern Europe, and North America.

<26> Certain risks and concentration

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist primarily of cash and cash equivalents and prepayments and other current assets. As of December 31, 2023 and 2024, substantially all of the Group's cash and cash equivalents were held by major financial institutions, which management believes are of high credit worthiness.

<27> Fair value measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. The fair value measurement guidance provides a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets that the management has the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 inputs include unobservable inputs to the valuation methodology that reflect management's assumptions about the assumptions that market participants would use in pricing the asset. Management develops these inputs based on the best information available, including their own data.

The Group measures its investment accounted for under readily determinable fair values (see Note 9), cryptocurrencies (see Note 12), conversion feature derivative liability (see Note 20) and warrants (see Note 21), and they are measured at fair value, which are classified within Level 1, and call option assets (see Note 10) and put option liabilities (see Note 14), which are classified within Level 3.

<28> Financial instruments

Financial instruments primarily consist of cash and cash equivalents, investments, accounts payable, warrants, convertible notes and short-term borrowings. The carrying value of the Group's cash and cash equivalents, short-term investments, accounts payable, convertible notes and short-term borrowings approximate their market values due to the short-term nature of these instruments.

<29> Deconsolidation of subsidiary

In accordance with ASC 810-40, deconsolidation of a subsidiary occurs when: (a) some or all of the ownership interests of the subsidiary are sold resulting in the loss of a controlling financial interest; (b) a contractual agreement granting control of the subsidiary expires; (c) the subsidiary issues its shares to outsiders reducing the parent's ownership interest resulting in the loss of a controlling financial interest; or (d) the subsidiary becomes subject to the control of a government, court, administrator or regulator.

The parent should recognize a gain or loss measured as the difference between: (a) the aggregate of: (i) the fair value of any consideration received, (ii) the fair value of any retained non-controlling interest, and (iii) the carrying amount of any non-controlling interest at the date the subsidiary is deconsolidated; and (b) the carrying amount of the subsidiary's assets and liabilities.

A subsidiary should be deconsolidated from the date a controlling financial interest is lost and should also consider the equity components included in the non-controlling interest and the amounts previously recognized in accumulated other comprehensive income (loss), i.e., the foreign currency translation adjustment.

<30> Discontinued Operations

In accordance with GAAP, we assess our business units that we may, from time to time, consider for disposal by sale or other means (i.e., abandonment). Those business units, which may be in the form of legal entities, divisions, product lines or asset and liability groups, among others, for which cash flows can be reasonably identified, that meet certain criteria are considered discontinued operations. Accordingly, their results of operations are presented in our consolidated statements of operations and comprehensive income (loss) as "discontinued operations" and their associated assets and liabilities are considered "discontinued," and presented as assets and liabilities held for sale on our consolidated balance sheets.

<31> Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation. Such as, the Group revised the accounting policy for fees deducted by the mining pool operator, and reclassified the amount from cost of revenues and reflect as a reduction of cryptocurrency mining revenue. The reclassification has no impact on the gross profit (loss), operating income (expenses), or net income (loss).

<32> Recently Issued Accounting Pronouncements

The Group continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Group's financial reporting, the Group undertakes a study to determine the consequences of the change to its Consolidated Financial Statements and assures that there are proper controls in place to ascertain that the Group's Consolidated Financial Statements properly reflect the change.

In January 2025, the Financial Accounting Standards Board ("FASB") updated 2025-01: Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date. Public business entities must adopt the guidance in Update 2024-03 for annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. The update clarifies that all public business entities should initially adopt the disclosure requirements in the first annual reporting period beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027. The Group is evaluating the impact the updated guidance will have on its consolidated financial statements and disclosures.

In November 2024, the FASB updated 2024-04 addresses the accounting for induced conversions of convertible debt instruments. This update improves the relevance and consistency in the application of the induced conversion guidance in Subtopic 470-20. Clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. An inducement offer must provide the debt holder with, at a minimum, the consideration issuable under the conversion privileges provided in the terms of the instrument. This update applies to a convertible debt instrument that is not currently convertible as long as it had a substantive conversion feature as of both its issuance date and the date the inducement offer is accepted. Effective for all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted. The Group is evaluating the impact the updated guidance will have on its consolidated financial statements and disclosure.

In November 2024, the FASB updated 2024-03 focuses on the disaggregation of income statement expenses to provide more detailed and transparent financial reporting. This update enhances the relevance and usefulness of financial information by requiring entities to disaggregate specific income statement expenses. Entities must disclose the nature and amount of significant expense categories, such as employee compensation, depreciation, and amortization, separately in the income statement or in the notes to the financial statements. This update applies to all entities that issue financial statements in accordance with US GAAP. Effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Group is evaluating the impact the updated guidance will have on its consolidated financial statements and disclosure.

In March 2024, the FASB updated 2024-02 focuses on removing references to the Concepts Statements within the FASB Accounting Standards Codification. This update improves the clarity and relevance of the Codification by eliminating unnecessary references to the Concepts Statements. The update removes references to various Concepts Statements that are extraneous and not required to understand or apply the guidance. In some instances, these references were used in prior Statements to provide guidance in certain topical areas. This update applies to all entities that issue financial statements in accordance with US GAAP. Effective for public business entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025, including interim periods within those fiscal years. Early application is permitted. The Group does not expect the updated guidance to have a material impact on its consolidated financial statements and disclosures.

In March 2024, the FASB updated 2024-01 addresses the scope application of profits interest and similar awards under Topic 718, Compensation—Stock Compensation. This update improves the clarity and consistency in the application of the scope guidance for profits interest and similar awards. This update adds an illustrative example to demonstrate how an entity should apply the scope guidance in paragraph 718-10-15-3 to determine whether profits interest and similar awards should be accounted for in accordance with Topic 718. Profits interest awards are provided to employees or nonemployees to align compensation with an entity's operating performance and provide holders with the opportunity to participate in future profits and/or equity appreciation. This update applies to all entities that issue financial statements in accordance with US GAAP. Effective for public business entities for annual periods beginning after December 15, 2024, and interim periods within those annual periods. Early adoption is permitted. The Group does not expect the updated guidance to have a material impact on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires entities to disclose specific rate reconciliations, amount of income taxes separated by federal and individual jurisdiction, and the amount of income (loss) from continuing operations before income tax expense (benefit) disaggregated between federal, state, and foreign. The new standard is effective for the Group for its annual periods beginning January 1, 2025, with early adoption permitted. The Group has adopted the ASU 2023-09, and does not expect the updated guidance to have a material impact on its consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 is intended to enhance reportable segment disclosures by requiring disclosures of significant segment expenses regularly provided to the CODM, requiring disclosure of the title and position of the CODM and explanation of how the reported measures of segment profit and loss are used by the CODM in assessing segment performance and allocation of resources. ASU 2023-07 is effective for the Group for its annual periods beginning January 1, 2024 and for interim periods beginning January 1, 2025, with early adoption permitted. The Group adopted ASU 2023-07 on January 1, 2024, which did not have a material impact on the Group's note disclosure to its consolidated financial statements. As a result of the adoption, the Group expanded its disclosures in Note 33. Segment Reporting, to present significant expenses by reportable segment, which are presented to the CODM.

On August 23, 2023, the FASB issued ASU No. 2023-05, Business Combinations - Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement. ASU 2023-05 addresses the accounting for contributions made to a joint venture and requires contributions received by the joint venture to be measured at fair value upon formation. ASU 2023-05 is designed to provide useful information to investors and reduce diversity in practice. The new standard is effective for the Group for its fiscal year beginning January 1, 2025, with early adoption permitted. The Group has adopted the ASU 2023-05, and does not expect the updated guidance to have a material impact on its consolidated financial statements and disclosures.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Group does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its consolidated financial condition, results of operations, cash flows, or disclosures.

3. CONVENIENCE TRANSLATION

The Group, with the exception of its subsidiaries, NBTC US Inc., and The9 Singapore Pte. Ltd, maintains its accounting records and prepares its financial statements in RMB. The U.S. dollar amounts disclosed in the accompanying consolidated financial statements are presented solely for the convenience of the readers at the rate of US$1.00 = RMB 7.2993, representing the noon buying rate in New York for cable transfers of RMB, as certified for customs purposes by the Federal Reserve Bank of New York, on December 31, 2024. Such translations should not be construed as representations that the RMB amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

4. DISCONTINUED OPERATIONS

In January 2023, we ceased operations of the NFT business and its related blockchain-based online game, MetaGoal. The decision to cease operations of the NFT business was primarily a result of unfavorable financial performance. We experienced revenue growth in 2021. However, NFT businesses heavily rely on the overall cryptocurrency market atmosphere. 2022 was a bear market for cryptocurrency compared to 2021. The Group began to seek a buyer for this business in the first half of 2023. NFTStar Singapore Pte. Ltd. (the parent company of the NFT business group) was sold on October 13, 2023. Since we met the criteria of discontinued operation, we presented and included the Assets and Liabilities for NFTStar Singapore Pte. Ltd. and its subsidiaries as held for sale assets and liabilities. The Group has recorded a gain on disposal of discontinued operations of RMB158.8 million (US$22.4 million) on October 13, 2023, the sale date.

The results of operations related to the Disposal Group are reported as discontinued operations for the years ended December 31, 2024 2023 and 2022

The results of operations of the Disposal Group for the years ended December 31, 2022, 2023, and 2024 are comprised of the following:

	2022 RMB	2023 RMB	2024 RMB	2024 USD
		(in thousands)		
Revenues	10,034	26	—	—
Cost of sales	(29,296)	(278)	—	—
Sales and marketing	(115,090)	—	—	—
General and administrative	(16,339)	(1,106)	—	—
Impairment on advance and other assets	(135,568)	(607)	—	—
Loss from operations	(286,259)	(1,965)	—	—
Interest income	127	—	—	—
Foreign currency exchange loss	(9)	(4)	—	—
Other (expenses) income, net	54	13	—	—
Loss from discontinued operations	(286,087)	(1,956)	—	—

5. VARIABLE INTEREST ENTITY

The Group is the primary beneficiary of its VIE, Shanghai IT which was designed by the Group to comply with PRC regulations that prohibit direct foreign ownership of businesses that operate online and TV games in the PRC.

Shanghai IT or the VIE and its subsidiaries

There are certain key contractual arrangements between the Group's subsidiary, Huiling (wholly-owned foreign enterprise, the "WOFE") and each of the VIE that provide the Group with control over the VIE. As a result of these contracts, the Group concluded that it is required to consolidate the VIE pursuant to the guidance in ASC 810 *Consolidation*.

A summary of these contractual agreements is as follows:

1) Loan agreement. The WOFE entered into loan agreements with each shareholder of the relevant VIE. Pursuant to the terms of these loan agreements, the WOFE granted an interest-free loan to each shareholder of the VIE for the explicit purpose of making a capital contribution to the VIE. These loans have an unspecified term and will remain outstanding for the shorter of the duration of WOFE or that of the VIE, or until such time that the WOFE elects to terminate the agreement (which is at the WOFE's sole discretion), at which point the loans are payable on demand. The shareholders of the VIE may not prepay all or any portion of the loans without the WOFE's prior written request.

2) Equity pledge agreement. The shareholders of the VIE entered into equity pledge agreements with the WOFE. Under the equity pledge agreements, the shareholders of the VIE pledged all of their equity interests in the VIE to the WOFE as collateral for all of their payments due to the WOFE and to secure performance of all obligations of the VIE and their shareholders under the above loan agreements. In addition, the dividend distributions to the shareholders of VIE, if any, will be deposited in an escrow account over which the WOFE has exclusive control. The pledge shall remain effective until all obligations under such agreements have been fully performed. The shareholders have the obligation to maintain ownership and effective control over the pledged equity. Under no circumstances, without the prior written consent of the WOFE, may the shareholder transfer or otherwise encumber any equity interests in the VIE. If any event of default as provided for therein occurs, the WOFE, as the pledgee, will be entitled to dispose of the pledged equity interests through transfer or assignment and use the proceeds to repay the loans or make other payments due under the above loan agreements up to the loan amounts.

3) Call option agreement. The VIE and their shareholders entered into equity call option agreements with the WOFE. Pursuant to such agreements, the shareholders of the VIE grant the WOFE an irrevocable and exclusive option to purchase the shares of VIE at a purchase price equal to the amount of the registered capital of the VIE or the loan provided by the WOFE, permissible by the then-applicable PRC laws and regulations. WOFE may exercise such right at any time during the term of the agreement. Moreover, under the call option agreements, neither the VIE nor their shareholders may take actions that could materially affect the VIE's assets, liabilities, operations, equity or other legal rights without the prior written approval of the WOFE, including, without limitation, declaration and distribution of dividends and profits; sale, assignment, mortgage or disposition of, or encumbrances on, the VIE's equity; merger or consolidation; acquisition of and investment in any third-party entities; creation, assumption, guarantee or incurrence of any indebtedness; entering into other materials contracts. The agreements shall not expire until such time as the WOFE acquires all equity interests of the relevant VIE subject to applicable PRC laws.

4) Shareholder voting proxy agreement. Each of the VIE's shareholders executed an irrevocable power of proxy to appoint the WOFE as the attorney-in-fact to act on his or her behalf on all matters pertaining to the VIE and to exercise all of his or her rights as a shareholder of the VIE, including the right to attend shareholders meetings, to exercise voting rights and to appoint directors, a general manager, and other senior management of the VIE. The power of proxy is irrevocable and may only be terminated at the discretion of the WOFE.

5) Exclusive technical service agreement. Under the exclusive technical service agreement, the VIE agreed to engage the WOFE as their exclusive provider of technology consulting and other services for a service fee equal to 90% of all operating profit generated by the VIE. According to the relevant PRC rules and regulations, related party transactions should be negotiated at the arm's length basis and apply reasonable transfer pricing methods. The determination of service fees, however, is under the sole discretion of the WOFE. These agreements do not have specific clauses on renewal but do have an initial term of 20 years (with the earliest expiration date being December 31, 2029). By virtue of the governance rights the WOFE maintains over the VIE, through the terms of the other agreements noted above, the Group is able to unilaterally renew, extend or amend the service agreements at its discretion.

The Group shall be deemed to have a controlling financial interest in a VIE if it has both of the following characteristics:

a. The power to direct the activities of a VIE that most significantly impact the VIE's economic performance; and

b. The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

In determining that the Group has "the power to direct the activities of the VIE that most significantly impact the VIE's economic performance", the Group looked to the specific provisions of the call option agreement and shareholder voting proxy agreement. These agreements, as summarized above, provide the WOFE effective control over all of the corporate and operating decisions of the VIE, and as such, the Group's management concluded that the WOFE has the requisite power to direct the activities of the VIE that most significantly impact the VIE's economic performance. In assessing the Group's obligation to absorb losses, the Group notes that it has funded through the loan agreements all of the entities' share capital and also provides financial support as necessary to the entities through intercompany transactions. The Group's rights to receive economic benefits that are significant to the VIE are embodied firstly in the equity pledge agreements that secure the equity owners' obligations under the relevant agreements, and ascribes to the WOFE all of the economic benefits of the equity interests including rights to any dividends declared. Secondly, the exclusive technical service agreement further secures the ability of WOFE to receive substantially all of the economic benefits from each of the VIE on behalf of the Group.

In conclusion, because the Group, through its wholly owned subsidiary Huiling, has (1) the power to direct the activities of the VIE that most significantly affect the VIE's economic performance, and (2) the right to receive benefits from the VIE that could potentially be significant to the VIE, the Group has been deemed to be the primary beneficiary of the VIE and has consolidated the VIE since the date of execution of such agreements.

Shareholders of the VIE may potentially have conflicts of interest with the Company, and they may breach their contracts with the PRC subsidiaries or cause such contracts to be amended in a manner contrary to the interests of the Group. As a result, the Group may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt the Groups business operations and adversely affect the Group's ability to control the VIE. As most of the shareholders of the VIE are directors, officers, shareholders or employees of the Group, management is of the view that the risk that misaligned interests may lead to deconsolidation in the foreseeable future is remote and insignificant.

PRC laws and regulations currently limit foreign ownership of companies that provide Internet content services, which include operating online games. In addition, foreign invested enterprises are currently not eligible to apply for the required licenses to operate online games in the PRC. The9 Limited is incorporated in the Cayman Islands and is considered a foreign entity under PRC laws. Due to restrictions on foreign ownership of companies that provide online games, the Group has entered into contractual arrangements with Shanghai IT to conduct its online games business through its VIE in the PRC. Shanghai IT holds the necessary licenses and approvals that are essential for the online game business in China. Shanghai IT is principally owned by certain shareholder and employee of the Company. Pursuant to certain other agreements and undertakings, The9 Limited in substance controls Shanghai IT. The Group believes that its current ownership structures and contractual arrangements with Shanghai IT and its equity owners, as well as its operations, are in compliance with all existing PRC laws and regulations. There may, however, be changes and other developments in the PRC laws and regulations or their interpretation. Specifically, following the recent promulgation of the GAPPRFT Circular, it is unclear whether the authorities will deem the Group's VIE structure and contractual arrangements with Shanghai IT as an "indirect or disguised" way for foreign investors to gain control over or participate in domestic online game operators, and challenge the Group's VIE structure accordingly.

If the Group is found to be in violation of any existing or future PRC laws or regulations, or fails to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including requiring the Group to undergo a costly and disruptive restructuring, such as forcing The9 Limited to transfer its equity interest in the VIE to a domestic entity or invalidating the VIE agreements. If the PRC government authorities impose penalties which cause the Group to lose its rights to direct the activities of and receive economic benefits from the VIE, the Group may lose the ability to consolidate and reflect in its financial statements the financial position, and results of operation of the VIE. The Group, however, does not believe such actions would result in the liquidation or dissolution of the Group, the WOFEs or VIE.

The aforementioned contractual arrangements with the VIE and their respective shareholders are subject to risks and uncertainties:

- The VIE or their shareholders could fail to obtain the proper operating licenses or fail to comply with other regulatory requirements. As a result, the PRC government could impose fines, new requirements or other penalties on the VIE or the Group mandate a change in ownership structure or operations for the VIE or the Group, restrict the VIE or the Group's use of financing sources, or otherwise restrict the VIE or the Group's ability to conduct business.

- The aforementioned contractual agreements may be unenforceable or difficult to enforce. The equity pledge agreements may be deemed improperly registered or the VIE or the Group may fail to meet other requirements. Even if the agreements are enforceable, they may be difficult to enforce given the uncertainties in the PRC legal system.

- The PRC government may declare the aforementioned contractual agreements invalid. They may modify the relevant regulation, have a different interpretation of such regulations, or otherwise determine that the Group or the VIE have failed to comply with the legal obligations required to effectuate such contractual arrangements.

- It may be difficult to finance the VIE by means of loans or capital contributions. Loans from The9 Limited to the VIE must be approved by the relevant PRC government body and such approval may be difficult or impossible to obtain. The VIE are domestic PRC enterprises owned by nominee shareholders; thus, the Group is not likely to finance activities of the VIE by means of direct capital contributions.

Summary financial information of the VIE and its subsidiaries included in the accompanying consolidated financial statements with intercompany balances and transactions eliminated are as follows:

	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$ (Note 3)
	(in thousands)		
Total assets	10,846	34,029	4,662
Total liabilities	94,402	94,504	12,947

	2022 RMB	2023 RMB	2024 RMB	2024 US$ (Note 3)
		(in thousands)		
Net revenues	655	428	318	44
Net (loss) income	(23,286)	154,021	34,589	4,739

The VIE contributed an aggregate of 0.6%, 0.2% and 0.3% of the consolidated net revenues for the years ended December 31, 2022, 2023 and 2024, respectively. As of the fiscal years ended December 31, 2023 and 2024, the VIE accounted for an aggregate of 3.0% and 5.3%, respectively, of the consolidated total assets, and 51.8% and 45.2%, respectively, of the consolidated total liabilities.

The VIE's assets are not used as collateral for the VIE's obligations and can only be used to settle the VIE's obligations.

Relevant PRC laws and regulations restrict the VIE subsidiaries from transferring a portion of their net assets, equivalent to the balance of its statutory reserve and share capital, to the Group in the form of loans and advances or cash dividends. See Note 28 for disclosure of restricted net assets.

6. PREPAYMENTS AND OTHER CURRENT ASSETS, NET

Prepayments and other current assets are as follows:

	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$ (Note 3)
	(in thousands)		
Employee advances	401	620	85
Input VAT recoverable	4,121	3,767	516
Prepayments and deposits	22,222	18,327	2,511
Other receivables, net of allowance for doubtful accounts of RMB40,426 (in thousands) and RMB39,577 (in thousands), as of December 31, 2023 and 2024, respectively	2,167	3,333	456
Total	28,911	26,047	3,568

In March 2024, the Group signed a Bitcoin mining machine sales contract with SMI CS PTE LTD. We sold 200 units of S19 Bitcoin mining machines for US$200,000 (US$20,000 in cash and the equivalent value of US$180,000 via the issuance of newly issued shares of Buyer). As of December 31, 2024, the balance of our other accounts receivable was RMB 1.4 million (US$0.2 million).

7. LICENSE ASSET

License asset is as follows:

	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$ (Note 3)
	(in thousands)		
Total	—	9,000	1,233

In May 2024, the Group entered into an exclusive publishing license agreement with Wemade Co., Ltd. The Group will exclusively publish and service the new MIR M game in mainland China. According to the agreement, the total license fee is RMB 18.0 million. As of December 31, 2024, the Group has prepaid for the license fee of RMB 9.0 million (US$ 1.2 million), the remaining license fee of RMB 9.0 million will be paid after the close beta testing date. The license authorization period is five years after the commercial launch, so the license asset is classified as a long-term asset. The game is still under development and will be classified as license asset and amortized over the license authorization period after its commercial launch.

8. DEFERRED ROYALTY COSTS

Deferred royalty costs are as follows:

	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$ (Note 3)
	(in thousands)		
Total	—	9,000	1,233

In May 2024, the Group entered into an exclusive publishing license agreement with Wemade Co., Ltd. The Group will exclusively publish and service the new MIR M game in mainland China. According to the agreement, the total minimum payment is RMB 42.0 million. As of December 31, 2024, the Group has prepaid for the royalty fee of RMB 9.0 million (US$ 1.2 million). The second minimum payment of RMB 9.0 million will be paid after the close beta testing date and the remaining minimum payment of RMB 24.0 million will be paid after commercial launch. The license authorization period is five years after the commercial launch, the prepayment minimum payment may set off monthly royalty payment after the commercial launch, so the deferred royalty costs are classified as long-term assets.

9. INVESTMENTS

The Group's investments comprise the following:

	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$ (Note 3)	Share ownership as of December 31, 2024
		(in thousands)		
Investments accounted for under equity method:				
Maxline Holdings Limited ("Maxline") <1>	—	—	—	29.00 %
Nanyang Herbs Pte. Ltd. ("Nanyang Herbs") <2>	—	—	—	50.00 %
Beijing Weiming Naonao Technology Co., Ltd. ("BeijingNaonao") <3>	—	58,474	8,011	30 %
Investments accounted for under cost method:				
ZTE9 Network Technology Co., Ltd., Wuxi ("ZTE9") <18>	—	—	—	5.00 %
Shanghai Ronglei Culture Communication Co., Ltd. ("Shanghai Ronglei") <13>	5,000	5,000	685	12.92 %
Shanghai The9 Education Technology Co., Ltd. ("The9 Education Technology")	—	—	—	19.20 %
Dragonfly Ventures II, L.P. ("Dragonfly") <11>	19,520	19,520	2,674	1.19 %
Redblock Inc. ("Redblock") <4>	1,943	1,943	266	1.00 %
Gameway Pte.Ltd. ("Gameway") <14>	635	635	87	1.25 %
Zhenjiang Kexin Power System Design and Research Co., Ltd. ("Zhenjiang Kexin") <19>	—	—	—	9.90 %
Shangdong Shanyeyunye Culture Co., Ltd. ("Shanyeyunye") <10>	—	—	—	0 %
Shanghai Lingjun Sports Culture Development Co., Ltd. ("Shanghai Lingjun") <6>	—	—	—	0 %
Hangzhou Lianfang Technology Co., Ltd. ("Hangzhou Lianfang") <7>	—	—	—	4.00 %
Skychain Technologies Inc. ("Skychain") <20>	—	—	—	15.11 %
Shanghai Institute of Visual Art of Fudan University ("SIVA") <12>	—	—	—	1.28 %
Kuaijin Shidai (Xiamen) Technology Co., Ltd. ("KuaiJin") <15>	—	67,360	9,228	15 %
Shenma Limited ("Shenma") <16>	—	82,573	11,313	19 %
Wuhan Weixiang Science And Technology Co., Ltd. ("WeiXiang") <17>	—	60,698	8,316	19 %
Investments accounted for under readily determinable fair values				
Nano Labs, Ltd. ("Nano Labs") <9>	935	469	64	*
SMI Vantage("SMI") <5>	7,249	550	75	5.72 %
FF Intelligent Mobility Global Holdings Ltd. ("FF Intelligent") <8>	9	1	—	*
Total	35,291	297,223	40,719	

*Less than 1%

The Group recorded the impairment on equity investments of RMB17.3 million, nil and nil for the years ended December 31, 2022, 2023 and 2024, respectively. The Group recorded the impairment of other investments of RMB 30 million, the gain of RMB3.5 million, and the impairment of RMB 7.2 million (US$ 1 million) for the years ended December 31, 2022, 2023, and 2024, respectively. The Group recorded the gain on disposal of investment and available-for-sale investments of RMB 0.7 million, RMB 1.7 million, and the loss on disposal of investment and available - for - sale investments of RMB 7,704 (US$1,055) for the years ended December 2022, 2023, and 2024, respectively. For the investments in equity, the Group has recorded share of loss of nil, nil and RMB 1.1 million (US$0.2 million) for the years ended December 31, 2022, 2023 and 2024, respectively.

<1> Maxline

In January 2018, the Group completed a share exchange transaction with Red Ace Limited ("Red Ace"), which was a private company incorporated under the laws of the British Virgin Islands for issuance and sale of 3,571,429 ordinary shares of the Company with a specific lock-up period. In exchange, Red Ace transferred 29% equity interest in Maxline, an associate of Red Ace. The fair value of 29% equity interest in Maxline was considered to be the value of the assets surrendered to the Group in this nonmonetary exchange transaction. In 2019, due to weaker than expected operating performance of Maxline, the Group recorded an impairment loss of RMB1.3 million.

<2> Nanyang Herbs

In February 2020, the Group entrusted a nominee to hold trust shares of 50% in Nanyang Herbs and the nominee is to exercise rights in accordance with the instruction of the Group. In February 2020, Nanyang Herbs entered into a research collaboration agreement with Nanyang Technological University ("NTU") to jointly provide technology and financial support to fund the research project to embark on evidence-based study to illustrate the medicinal values and efficacies of certain herbs. The Group has invested an amount of RMB3.3 million (US$0.5 million) to Nanyang Herbs in 2020 and amount of RMB3.3 million (US$0.5 million) in 2021. Because of the uncertainty of medical research projects, the Group incurred loss of RMB 3.3 million (US$0.5 million) for the year ended December 31, 2020. Also, the Group incurred another loss of RMB 3.3 million (US $0.5 million) for the year ended December 31, 2021.

<3> Beijing Naonao

In August 2020, the Group entered into an investment agreement with Beijing Weiming Naonao Technology Co., Ltd. ("Beijing Naonao"), which aims to develop and operate games designed for therapy purposes. The Group invested RMB3.0 million (US$0.4 million) in Beijing Naonao for an equity interest of 9.09%. Due to the level of uncertainty involved to succeed to develop and launch the game in the future, the Group recorded an impairment loss of RMB3.0 million (US$0.4 million) for the year ended December 31, 2020. In May 2024, the Group entered into an investment agreement with Beijing Naonao to purchase an additional 21.7% shares of Beijing Naonao by cash US$1.5 million and issuance of The9's 251,290,500 restricted Class A ordinary shares (equivalent to 837,635 ADSs). The total value of investment of Beijing Naonao is RMB 58.4 million (US$ 8.0 million). The restricted Class A ordinary shares to be issued to Beijing Naonao will be subject to lock-up conditions and will only be released according to the following schedule: (i) when the market capitalization of The9 reaches US$200 million, 4,737,000 Class A ordinary shares (equivalent to 15,790 ADSs) of The9 will be released from the lock-up; (ii) when the market capitalization of The9 reaches US$500 million, 1,894,800 Class A ordinary shares (equivalent to 6,316 ADSs) of The9 will be released from the lock-up, and (iii) when the market capitalization of The9 reaches US$1 billion, 947,400 Class A Ordinary shares (equivalent to 3,158 ADSs) of The9 will be released from the lock-up. The rest of the restricted shares shall be released from the lock-up when either of the following conditions are met: Beijing Naonao completes a qualified IPO and its shares owned by The9 become freely tradable in the open market; or if and when the The9 exercises its super pro-rata right and, as a result, holds a minimum 51% of the then total share capital of Beijing Naonao.

The Group had held 30% shares of Beijing Naonao after the investment, the equity method has been adopted, and the Group recognized the proportionate share, 30% of Beijing Naonao's net loss for the period from the effective date, April 1,2024 of equity method through December 31, 2024 of RMB 0.6 million (US$ 0.08 million).

<4> Redblock

In July 2021, the Group entered into an investment agreement with Redblock Inc. ("Redblock "). The Group invested RMB1.9 million (US$0.3 million) in 2021. The Group performed an impairment assessment and determined that there is no impairment in the investment as of December 31, 2023 and 2024, respectively.

<5> SMI

In June 2021, the Group entered into a subscription agreement with SMI Vantage ("SMI"), which the Group paid RMB 1.6 million (US$0.2 million) to subscribe shares and options of SMI. In August 2021 the Group exercised the options, and paid RMB 4.9 million (US$0.7 million) to obtain additional shares. In April 2022, the Group sold machines to SMI in exchange for additional shares which valued RMB 2.1 million (US$0.3 million). The Group sold 17,600,000 shares of SMI and recorded a realized gain on disposal of equity investee and available - for - sale investments of RMB 1.7 million for the years ended December 31, 2023. The Group sold 90,000 shares of SMI and recorded a realized loss on disposal of equity investee and available - for - sale investments of RMB 7,704 (US$1,055) for the year ended December 31, 2024. The Group recorded loss on change in investment of RMB 10.2 million, gain on change in investment of RMB 4 million, and loss on change in investment of RMB 6.7 million (US$0.9 million) for the years ended December 31, 2022, 2023, and 2024, respectively.

<6> Shanghai Lingjun

In August 2021, the Group entered into an agreement with Shanghai Lingjun Sports Culture Development Co., Ltd. ("Shanghai Lingjun"). The Group invested RMB6.0 million (US$0.9 million) in Shanghai Lingjun for an equity interest of 12.76%. Due to the uncertainty in business development, the Group decided to end the investment and received the investment payback of RMB 4.5 million (US$0.7 million) in 2022 and RMB 1.5 million (US$0.2 million) in March 2023. The Group had no equity interest in Shanghai Lingjun effective March 2023.

<7> Hangzhou Lianfang

In August 2021, the Group entered into an investment agreement with Hangzhou Lianfang Technology Co., Ltd. ("Hangzhou Lianfang"). The Group invested RMB2.0 million (US$0.3 million) in Hangzhou Lianfang for an equity interest of 4.00%. Due to the uncertainty in business development, the Group had recorded a full impairment loss of RMB 2.0 million (US$0.3 million) in 2022.

<8> FF Intelligent (formerly known as Smart King Limited)

In March 2019, the Group entered into a joint venture agreement with Faraday & Future Inc. ("F&F") in an attempt to enter into electric vehicle business. In April 2019, the Group paid an initial deposit of US$5.0 million to F&F through an interest-free loan from Ark Pacific Associates Limited ("Ark Pacific Associates"), an entity affiliated with the Group's former president. In November 2020, the Group converted the initial deposit of US$5.0 million into 2,994,011 Class B ordinary shares of FF Intelligent, the holding company of F&F that operates its electric vehicles business, at a pre-agreed conversion price set forth in the joint venture agreement. As a result of this conversion, the capital commitment in the joint venture agreement was deemed released. The prepaid deposit for joint venture was fully impaired in 2019 as the actual progress of the joint venture was below expectations. The initial recognition for the investment in FF Intelligent is recorded at nil. On July 21, 2021, FF Intelligent completed a merger with a SPAC company and became a public company FF Intelligent Electric Inc. (Nasdaq: FFIE). The Group owns 423,053 shares of FFIE after the merger. Such shares are subject to a 6-month lock-up period and were released to The9's brokerage account in January 2022. The Group rebooked the investment for the 423,053 shares of FFIE received from F&F and recognized a gain on investments of RMB 37.7 million (US$ 5.5 million). The Group recognized a loss on change in investment of RMB 23.4 million (US$ 3.4 million) based on its fair value as of December 31, 2021. As the result, the Group recognized a net gain of RMB 14.3 million (US$ 2.1 million) for the year ended December 31, 2021. The Group recognized a loss on change in investment of RMB 13.5 million, a loss on change in investment of RMB 0.8 million, and a loss on change in investment of RMB 7,864 (US$ 1,077) based on its fair value for the years ended December 31, 2022 and 2023 and 2024, respectively.

<9> Nano Labs

In July 2022, the Group has made a RMB 20.2 million (US$3 million) strategic investment in the initial public offering of Nano Labs to obtain of 260,642 American depositary shares ("ADSs") of Nano Labs.

In July and August 2022, the Group sold 187,656 ADSs of Nano Labs and received RMB 15.2 million (US$2.2 million), the Group recorded a realized gain on disposal of equity investee and available-for-sale investments of RMB 0.7 million (US$0.1 million). The Group recognized a loss on change in investment of RMB 4.3 million, a gain on change in investment of RMB 0.4 million, and a loss on change in investment of RMB 0.5 million (US$ 0.06 million) based on its fair value for the years ended December 31, 2022, 2023 and 2024, respectively.

<10> Shanyeyunye

In June 2020, the Group entered into an investment agreement with third parties to establish Shandong Shanyeyunye. The Group invested a total of RMB5.0 million (US$0.7 million) in Shanyeyunye for an equity interest of 10%. Shanyeyunye is to establish a joint venture with Shandong Dazhong Digital Culture Technology Co., Ltd. to develop and operate chess and card leisure games in the Province of Shandong. Due to the level of uncertainty involved in the success of developing and launching the game in the future, the Group recorded an impairment loss of RMB5.0 million (US$0.7 million) for the year ended December 31, 2020. In 2022, the Group sold the equity interest of 10% to the third party for a total of RMB 4.7 million (US$0.7 million), for which the Group received a deposit of RMB 3.3 million (US$0.5 million) in 2021 and received the remaining balance of RMB 1.4 million (US$0.2 million) in 2022. The Group had no equity interest in Shanyeyunye since 2022.

<11> Dragonfly

In March 2021, the Group entered into an investment agreement with Dragonfly Ventures II, L.P. ("Dragonfly"). The Group invested RMB19.5 million (US$2.8 million) in 2021.The Group performed an impairment assessment and determined that there is no impairment in the investment as of December 31, 2023 and 2024, respectively.

<12> SIVA

In 2020, the Group considered to dispose its investment in SIVA and has performed an impairment assessment to consider the recoverable amount of the investment. The Group recorded an impairment loss of RMB10.0 million (US$1.4 million) for the year ended December 31, 2020.

<13> Shanghai Ronglei

In October 2021, the Group entered into an investment agreement with Shanghai Ronglei. The Group invested RMB2 million (US$0.3 million) in 2021 and invested RMB3 million (US$0.4 million) in 2022. Total investment in Shanghai Ronglei amounted to RMB5 million (US$0.7 million), which represented an equity interest of 12.92% as of December 31, 2023 and 2024.

<14> Gameway

In February 2022, the Group entered into an investment agreement with Gameway. The Group invested RMB0.6 million (US$0.09 million) in 2022 or an equity interest of 1.25% as of December 31, 2023 and 2024.

<15> KuaiJin

In May 2024, the Group entered into a definitive share purchase agreement with KuaiJin, a company operating unmanned retail store platform in China, to purchase 15% of KuaiJin by cash of US$1.5 million and issuance of The9's 318,448,800 restricted Class A ordinary shares (equivalent to 1,061,496 ADSs), the total value of investment of KuaiJin is RMB 67.4 million (US$ 9.2 million). The restricted Class A ordinary shares to be issued to KuaiJin will be subject to lock-up conditions and will only be released according to the following schedule: (i) when the market capitalization of The9 reaches US$200 million, 20,940,900 Class A ordinary shares (equivalent to 69,803 ADSs) of The9 will be released from the lock-up; (ii) when the market capitalization of The9 reaches US$500 million, 8,376,300 Class A ordinary shares (equivalent to 27,921 ADSs) of The9 will be released from the lock-up, and (iii) when the market capitalization of The9 reaches US$1 billion, 4,188,300 Class A Ordinary shares (equivalent to 13,961 ADSs) of The9 will be released from the lock-up. The rest of the restricted shares shall be released from the lock-up when either of the following conditions are met: KuaiJin completes a qualified IPO and its shares owned by The9 become freely tradable in the open market; or if and when the The9 exercises its purchase option and, as a result, holds a minimum 51% of the then total share capital of KuaiJin.

<16> Shenma

In May 2024, the Group entered into the term sheet, it signed a definitive share purchase agreement with Shenma, a company operating digital human AIGC platform as a service in China, with the final negotiated terms to purchase 19% shares of Shenma in exchange for cash payment of US$1 million and issuance of The9's 417,880,500 restricted Class A ordinary shares (equivalent to 1,392,935 ADSs), the total value of investment of Shenma is RMB 82.6 million (US$ 11.3 million). The restricted Class A ordinary shares to be issued to Shenma will be subject to lock-up conditions and will only be released according to the following schedule: (i) when the market capitalization of The9 reaches US$200 million, 33,938,400 Class A Ordinary shares (equivalent to 113,128 ADSs) of The9 shall be released from the lock-up; (ii) when the market capitalization of The9 reaches US$500 million, 13,575,300 Class A Ordinary shares (equivalent to 45,251 ADSs) of The9 shall be released from the lock-up, and (iii) when the market capitalization of The9 reaches US$1 billion, 6,787,800 Class A Ordinary shares (equivalent to 22,626 ADSs) of The9 shall be released from the lock-up. The rest of the issued Class A shares shall be released from the lock-up when the following conditions are met: Shenma completes the Qualified IPO with valuation higher than US$200 million.

<17> WeiXiang

In June 2024, the Group entered into a definitive share purchase agreement with WeiXiang., an AI-powered educational technology company in China, to purchase 19% of WeiXiang by cash of US$1.5 million and issuance of The9's 284,465,400 restricted Class A ordinary shares (equivalent to 948,218 ADSs), the total value of investment of WeiXiang is RMB 60.7 million (US$ 8.3 million). The restricted Class A ordinary shares to be issued to Weixiang will be subject to lock-up conditions and will only be released according to the following schedule: (i) when the market capitalization of The9 reaches US$200 million, 24,533,700 Class A Ordinary shares (equivalent to 81,779 ADSs) of The9 will be released from the lock-up; (ii) when the market capitalization of The9 reaches US$500 million, 9,813,600 Class A Ordinary shares (equivalent to 32,712 ADSs) of The9 will be released from the lock-up, and (iii) when the market capitalization of The9 reaches US$1 billion, 4,906,800 Class A Ordinary shares (equivalent to 16,356 ADSs) of The9 will be released from the lock-up. The rest of the restricted shares shall be released from the lock-up when either of the following conditions are met: Weixiang completes a qualified IPO and its shares owned by The9 become freely tradable in the open market; or if and when the The9 exercises its purchase option and, as a result, holds a minimum 51% of the then total share capital of Weixiang.

<18> ZTE9

In February 2013, the Group established a joint venture with Shanghai Zhongxing Communication Technology Enterprise Co., Ltd. and Shanghai Ruigao Information Technology Co., Ltd. in Wuxi, Jiangsu Province, for the purpose of developing and operating TV game platforms, TV games and other related businesses. The Group contributed RMB5.2 million (US$0.9 million) to the joint venture, which accounted for 51.5% of the registered capital of the joint venture. As contemplated in the initial agreement, in August 2013, the Group transferred 9% of its equity shares of ZTE9 for a consideration of RMB0.9 million (US$0.1 million) to a ZTE9 employee. In addition, based on a separately signed agreement, the Group also transferred 9% common shares of ZTE9 to certain ZTE9 employees, with recourse provision expiring in three years. This arrangement was in substance share-based compensation, with 3 year vesting requirement. Accordingly, the fair value of these awards was being recognized over the three-year vesting period of the shares. In February 2014, Guangdong Hongtu Guangdian Investment Limited Company made capital investment of RMB12.5 million to the ZTE9 to acquire its 10% shares, and the Group`s ownership in ZTE9 was diluted to 30.15% since then, and the equity method has been adopted. After years of absorbing losses from the joint venture, the group's investment in the joint venture has been reduced to nil as of December 31, 2014.

In 2020, ZET9 underwent bankruptcy reorganization, and after the reorganization, the Group's shareholding decreased to 5%. Currently, ZET9 is still in the process of bankruptcy.

<19> Zhenjiang Kexin

In June 2019, the Group completed a share exchange transaction with Comtec Windpark Renewable (Holdings) Co., Ltd. ("Comtec"), which was a private company incorporated under the laws of British Virgin Islands for issuance and sale of 3,444,882 ordinary shares of the Group. In exchange, Comtec transferred 9.9% equity interest in Zhenjiang Kexin, a company incorporated under the laws of PRC. The fair value of 9.9% equity interest in Zhenjiang Kexin was considered to be the value of the assets surrendered to the Group in the nonmonetary exchange transaction. The investment was fully impairment in 2019.

<20> Skychain

In April 2021, the Group signed a legally binding term sheet on a CAD4 million investment in Skychain Technologies Inc., a company listed in TSX Venture Exchange in Canada. The purpose of the investment is for the construction and operation of a 12 MW cryptocurrency mining facility located in Birtle, Manitoba, Canada. In June 2021, we announced the closing of the investment in Skychain and entered into subscription agreements to purchase share units and debentures issued by Skychain Technologies Inc. Upon the completion of construction, we plan to deploy our cryptocurrency mining machines there. The Group invested RMB10.6 million (US$1.5 million) to get 15.11% of shares and RMB10.6 million (US$1.5 million) to get the Debentures of Skychain, the Debentures shall mature on the fourth anniversary of the closing date, the Group has an option to extend maturity for additional 12 months, and the Debentures bear interest at a rate of 1% per annum. The Group recorded share of loss of RMB1.7 million (US$0.2 million) and impairment of loss of RMB 4.3 million (US$0.6 million) for the year ended December 31, 2021. Due to the local regulatory and permitting issues as well as significant construction delays, the Group had recorded a full impairment loss of RMB15.3 million (US$2.2 million) in 2022.

10. CALL OPTION ASSETS

In 2024, the Group acquired equity interests in Kuaijin and Beijing Naonao through a combination of cash consideration and the issuance of restricted ordinary shares. As part of these transactions, the Group was granted call options, providing the right, but not the obligation, to acquire additional equity interests in the respective investees.

The call options are classified as Level 3 assets within the fair value hierarchy, as defined by ASC 820, due to the use of significant unobservable inputs in their valuation. The fair value of the call option related to Beijing Naonao is estimated using a Monte Carlo simulation model, while the fair value of the call option related to Kuaijin is estimated using the Black-Scholes option pricing model. Both models incorporate key assumptions, including expected volatility, risk-free interest rates, the contractual term of the options, and dividend yield.

The Group reassesses the fair value of the call options at each reporting period, adjusting for changes in market conditions and other relevant factors. Changes in the fair value of the call options are recognized in the consolidated statements of comprehensive income (loss) as either a gain (loss) on fair value of derivative, with a corresponding adjustment to the carrying value of the call option assets.

Key assumptions used in the valuation models were as follows:

	Kuaijin		Beijing Naonao	
Assumptions	Initial Valuation	As of December 31, 2024	Initial Valuation	As of December 31, 2024
Expected volatility	69.56 %	69.22 %	118.18 %	96.74 %
Risk-free rate	1.83 %	1.10 %	2.11 %	1.15 %
Contractual term	2	1.33	3.17	2.34
Dividend yield	0 %	0 %	0 %	0 %

The fair value of these options is sensitive to changes in key inputs, particularly expected volatility and the contractual term. These assumptions are updated regularly to reflect prevailing market conditions and the performance of the investees.

Call option assets are as follows:

	Kuaijin	Beijing Naonao	Total	Total
	US$	US$ (in thousands)	RMB	US$
Transaction Date	May 20, 2024	March 26, 2024	—	—
Expiration date	April 30, 2026	May 2, 2027	—	—
Exercise Price valuation	60,000	—	—	—
Option equity interest	36.00 %	21.70 %	—	—
The initial valuation of call option assets	222	509	5,207	731
The call option assets at December 31, 2024	72	2,116	15,843	*2,188
Gain (loss) on fair value of derivative	(150)	1,607	10,636	1,457

* The difference of 2,171 USD in consolidated balance sheets is attributable to fluctuations in the exchange rate. According to the financial statements, the USD amount is converted from RMB using an exchange rate of 7.2993.

11. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software and related accumulated depreciation and amortization are as follows:

	December 31, 2023 RMB	December 31, 2024 RMB (in thousands)	December 31, 2024 US$ (Note 3)
Computers and equipment	270,992	175,244	24,008
Office furniture and fixtures	1,652	1,592	218
Motor vehicles	3,436	3,667	502
Software	10,542	10,542	1,445
Less: accumulated depreciation and amortization	(192,293)	(174,496)	(23,906)
Net book value	94,329	16,549	2,267

Depreciation and amortization expenses for the years ended December 31, 2022, 2023 and 2024 amounted to RMB91.4 million, RMB86.9 million, and RMB61.5 million (US$8.4 million), respectively. The depreciation and amortization expenses included in cost of revenues are RMB45.4 million, RMB69.4 million, and RMB19.9 million (US$2.7 million) for the years ended December 31, 2022, 2023, and 2024,respectively, and the depreciation and amortization expenses included in general and administrative expense are RMB46.0 million, RMB17.5 million, and RMB41.6 million (US$5.7 million) for the years ended December 31, 2022, 2023, and 2024, respectively. The Group has recorded a gain on disposal of property, equipment, and software amounting to RMB8.8 million and RMB50,000 as other income, net for the years ended December 31, 2022, 2023, respectively. The Group has recorded a loss on disposal of property, equipment, and software amounting to RMB7.3 million (US$1.0 million), net for the year ended December 31, 2024. The Group has recorded impairment loss of equipment of RMB176.9 million, RMB161.0 million, and RMB6.5 million (US$0.9 million) for the years ended December 31, 2022, 2023 and 2024, respectively. In the property, equipment, and software, net, there was a generator set as collateral, which guaranteed Montcompute's loan on or prior to the deconsolidation date of Montcompute. The Group lost its controlling interest in Montcompute effective on July 31, 2024, and Montcompute's financial statements has been deconsolidated accordingly.

12. CRYPTOCURRENCIES

Effective January 1, 2023, the Group has elected to early adopt ASU No. 2023-08. As a result of the adoption of ASU 2023-08, cryptocurrencies are recorded at fair value, and changes in fair value are recognized in Change in fair value of cryptocurrencies, in Operating income (loss) on the Consolidated Statements of Operations and Comprehensive Income (Loss), for the year ended December 31, 2023. As a result of the adoption of ASU 2023-08, the Group recorded a cumulative effect adjustment of RMB1.5 million ($0.2 million) increase to its cryptocurrencies and of RMB1.5 million ($0.2 million) decrease to its Accumulated deficit on the accompanying consolidated balance sheets as of January 1, 2023.

The Group's cryptocurrencies comprise the following:

	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$
	(in thousands)		(Note 3)
Bitcoins (BTC) <1>	92,205	196,680	26,945
Tether (USDT) <2>	1,547	2,154	295
Ethereum (ETH) <4>	1,302	—	—
Filecoin (Fil) <3>	12,907	7,296	1,000
Total	107,961	206,130	28,240
Less: Cryptocurrencies, restricted-current	17,838	193,938	26,569
Cryptocurrencies , restrict-Non current	2,409	—	—
Balance of Cryptocurrencies	87,714	12,192	1,671

Rollforward Activity of Cryptocurrencies

The following table presents rollforward information about cryptocurrencies from January 1, 2023 to December 31, 2024:

	BTC		USDT		ETH		FIL		BNB		Total
	Quantity	RMB in thousands	Quantity	RMB in thousands	Quantity	RMB in thousands	Quantity	RMB in thousands	Quantity	RMB in thousands	in thousands
Balance as of January 1, 2023	542	60,577	4,210	29	706	49,255	48,800	809	1	2	66,342
Cumulative effect from the adoption of ASU 2023-08	—	350	—	—	—	945	—	237	—	—	1,531
Receipt of BTC from Cryptocurrency Mining, net	851	168,324	—	—	—	—	—	—	—	—	168,324
Receipt of FIL from Cryptocurrency mining	—	—	—	—	—	—	71,035	2,262	—	—	2,262
Receipt of ETH from operating activities	—	—	—	—	42	433	—	—	—	—	433
Receipt of USDT from exchange of other cryptocurrencies	—	—	21,301,249	149,729	—	—	—	—	—	—	149,729
Interest income	0.02	4	12,333	86	2	21	679	20	—	—	131
Proceeds from disposal of mining machines	—	—	553,836	3,915	—	—	—	—	—	—	3,915
Proceeds from disposal of subsidiaries	—	—	—	—	—	—	153,000	4,816	—	—	4,816
Payment for operating activities	(4)	(541)	(21,653,238)	(152,548)	(7)	(69)	(225)	(7)	(1)	(2)	(153,167)
Sale of cryptocurrencies for cash	(375)	(70,539)	—	—	—	—	—	—	—	—	(70,539)
Sale of cryptocurrencies for other cryptocurrencies	(708)	(140,308)	—	—	(663)	(8,716)	—	—	—	—	(149,024)
Exchange gain for RMB/USD translation	—	—	—	335	—	—	—	—	—	—	335
Realized gain on sale/exchange cryptocurrencies	—	40,611	—	—	—	2,225	—	—	—	—	42,836
Change in fair value of cryptocurrencies	—	33,727	—	—	—	1,538	—	4,771	—	—	40,036
Balance as of December 31,2023	**306**	**92,205**	**218,390**	**1,547**	**80**	**1,302**	**273,289**	**12,907**	**—**	**—**	**107,961**
Less: Cryptocurrencies, restricted	38	11,444	—	—	—	—	186,383	8,803	—	—	20,247
Balance of Cryptocurrencies	**268**	**80,761**	**218,390**	**1,547**	**80**	**1,302**	**86,906**	**4,104**	**—**	**—**	**87,714**
Receipt of BTC from Cryptocurrency Mining, net	262	110,739	—	—	—	—	—	—	—	—	110,739
Receipt of FIL from Cryptocurrency mining	—	—	—	—	—	—	46,780	2,033	—	—	2,033
Receipt of ETH from operating activities	—	—	—	—	0	4	—	—	—	—	4
Receipt of BTC from operating activities	4	1,107	—	—	—	—	—	—	—	—	1,107
Receipt of BTC and USDT from exchange of other cryptocurrencies	17	8,814	8,001,784	56,904	—	—	—	—	—	—	65,718
Reiceipt of USDT from BTC Mortgage borrowing	—	—	12,262,164	87,296	—	—	—	—	—	—	87,296
Proceeds from disposal of mining machines	—	—	319,600	2,283	—	—	—	—	—	—	2,283
Payment for operating activities	(14)	(8,238)	(13,480,935)	(95,944)	—	—	(112)	(4)	—	—	(104,186)
Sale of cryptocurrencies for cash	(145)	(64,472)	(6,260,051)	(44,551)	—	—	—	—	—	—	(109,023)
Sale of cryptocurrencies for other cryptocurrencies	(143)	(53,249)	(593,419)	(4,215)	(80)	(1,905)	(119,410)	(6,339)	—	—	(65,710)
Interest expense	—	—	(167,903)	(1,194)	—	—	—	—	—	—	(1,194)
Exchange gain for RMB/USD translation	—	—	—	28	—	—	—	—	—	—	28
Realized gain on sale/exchange of cryptocurrencies	—	58,027	—	—	—	683	—	2,073	—	—	60,783
Change in fair value of cryptocurrencies	—	51,748	—	—	—	(84)	—	(3,374)	—	—	48,290
Balance as of December 31, 2024	**287**	**196,680**	**299,630**	**2,154**	**—**	**—**	**200,547**	**7,296**	**—**	**—**	**206,130**
Less: Cryptocurrencies, restricted	273	187,273	—	—	—	—	183,212	6,665	—	—	193,938
Balance of Cryptocurrencies	**14**	**9,407**	**299,630**	**2,154**	**—**	**—**	**17,335**	**631**	**—**	**—**	**12,192**

<1> Bitcoins (BTC)

Since February 2021, the Group has generated Bitcoin mining revenues through provision of computing power, or hash rate, in crypto asset transaction verification services to Bitcoin mining pools. In exchange for that, the Group is entitled to receive a fractional share of the Bitcoin award from the Bitcoin mining pools. The transaction consideration received is noncash consideration, which the Group measures at fair value on the date received, which is not materially different than the fair value at contract inception. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, and we are able to calculate the payout based on the contractual formula, noncash consideration is estimated and recognized based on the spot price of Bitcoin determined using our principal market for Bitcoin at the inception of each contract, which is on a daily basis. As of December 31, 2023, the Group owned 306 Bitcoins, included 38 Bitcoins pledged. As of December 31, 2023, the fair value of the pledged Bitcoins was approximately RMB 11.4 million (US$ 1.6 million). A total of 38 BTC was pledged as of December 31, 2023, which consisted of the current portion of 30 BTC with a value of approximately RMB 9.1 million (US$ 1.3 million) and the non-current portion of 8 BTC with a value of approximately RMB 2.4 million (US$ 0.3 million). All of the 38 pledged Bitcoins were released in 2024.

In 2024, the Company signed six pledged loan contracts with Equities First Holdings, LLC. A total of 273 Bitcoins were pledged to obtain a loan of US$12.5 million. As of December 31, 2024, the Group owned 287 Bitcoins, which included 273 Bitcoins pledged. As of December 31, 2024, the fair value of the pledged Bitcoins was approximately RMB 187.3 million (US$ 25.7 million).

<2> Tether (USDT)

Tether is a stablecoin because it was originally designed to always be worth US$1. Since the Group turned the business focus to blockchain industry, from time to time the Group needs to make certain payments in USDT. Therefore, the Group uses US$ to purchase USDT from time to time. As of December 31, 2023 and 2024, the Group owned 218,390 and 299,630 USDT, respectively.

<3>Filecoin (Fil)

Among these cryptocurrencies, the Group had pledged 110 Bitcoins and 1,500,000 USDT to a third party company for the cooperation on Filecoin mining. Since March 2021, the Group started the mining of Filecoin. Unlike other cryptocurrency mining, Filecoin mining on the main network requires miners not only to contribute mining machines with computing storage space, but miners also need to pledge a certain amount of Filecoins to the main network to start the Filecoin mining. Then the Filecoin main network will reward the miners with Filecoin awards. As such, the Group cooperated with a third-party company where the Group contributed mining machines and the third party contributed Filecoins for pledging to the Filecoin main network. Under this mining cooperation, the Group pledged 110 Bitcoins and 1,500,000 USDT to the third party as security to ensure the third party can receive Filecoins being mined according to the agreed distribution schedule. As of December 31, 2021, all the Filecoins being mined were distributed to the third party according to the agreed distribution schedule and the Group did not own Filecoin as of December 31, 2021. Since it is not probable that a significant reversal of cumulative revenue will not occur, the Group had not recognized any Filecoin mining revenue as of December 31, 2021. The Group started to own the Filecoins being mined from January 1, 2022. The Group started to recognize Filecoin mining revenue and the Filecoin at fair value on the date the Group receives and owns the Filecoin awards. Based on the agreed mining distribution schedule with the third party company, 40 Bitcoins and 1,500,000 USDT were released from the pledge in 2021, nil released in 2022, and 32 Bitcoins were released from the pledge in 2023, with the remaining 38 Bitcoins were released in 2024. As of December 31, 2023, the Group owned 273,289 Filecoin, including 186,383 Filecoin pledged as of December 31, 2023, the fair value of the pledged Filecoin is approximately RMB 8.8 million (US$1.2 million). As of December 31, 2024, the Group owned 200,547 Filecoin, including 183,212 Filecoin pledged as of December 31, 2024. The fair value of the pledged Filecoin is approximately RMB 6.7 million (US$ 0.9 million). All pledged Filecoin can be released within one year, which was recorded as current restricted cryptocurrencies.

<4> Ethereum (ETH)

Since the Group turned the business focus to blockchain industry, the Group needs to make certain payments in ETH.

Cryptocurrencies, (including Bitcoin, Tether, Filecoin, Ethereum and Binance Coin) are included in current assets in the accompanying balance sheets. Cryptocurrencies purchased are recorded at cost and Cryptocurrencies awarded to the Group through its mining activities are accounted for in connection with the Group's revenue recognition policy as disclosed in Note 2 above. Prior to the adoption of ASU 2023 - 08, Cryptocurrencies held are accounted for as intangible assets with indefinite useful lives, thus they should not be amortized but should be tested for impairment on annually and more frequently if events or changes in circumstances indicate that it is more likely than not that the indefinite-lived asset is impaired. Impairment of cryptocurrency existed when the carrying amount exceeded its fair value, which was measured using the intraday lowest quoted price of the Cryptocurrencies at the time its fair value was being measured on any day subsequent to its acquisition and an impairment charge were recognized. The Group monitored and tracked the Cryptocurrencies price on a daily basis and recognized the impairment charge whenever there were observable transactions in which the carrying amount of the Cryptocurrencies exceeded their fair value at any time. To the extent an impairment loss was recognized, the loss established the new cost basis of the Cryptocurrencies. Subsequent reversal of impairment losses is not permitted.

Effective January 1, 2023, the Company early adopted ASU 2023-08, which requires entities to measure crypto assets at fair value with changes recognized in the Consolidated Statement of Operations and Comprehensive Income (Loss) at and for each reporting period. The Company's cryptocurrencies are within the scope of ASU 2023-08 and the transition guidance requires a cumulative-effect adjustment as of the beginning of the current year for any difference between the carrying amount of the Company's cryptocurrencies at fair value. As a result of the Company's early adoption of ASU 2023-08, the Company recorded a $1.5 million cryptocurrencies decrease to accumulated deficit and an increase for the same amount to the Cryptocurrencies account balance on the Consolidated Balance Sheets as of the adoption date, January 1, 2023.

13. OTHER LONG-TERM ASSETS

Other long-term assets are as follows:

	December 31, 2023	December 31, 2024	December 31, 2024
	RMB	RMB	US$ (Note 3)
	(in thousands)		
Prepayments for mining machines	42,456	39,841	5,458
Others	2,030	1,217	167
Total	44,486	41,058	5,625

In March 2021, the Group signed a Bitcoin mining machine purchase agreement with Bitmain Technologies Limited. Pursuant to the purchase agreement, the Company will purchase 24,000 Antminer S19j Bitcoin mining machines for a total consideration of US$82.8 million payable in installments according to the agreed time schedule. As of December 31, 2024, the Group had prepaid RMB 506.3 million (US$78.5 million), received 21,310 Antminer S19j Bitcoin mining machines (200 units of S19 Bitcoin mining machines are slod drictly to the third party), which are included in the computers and equipment under property, equipment and software, net of RMB 466.5 million (US$69.9 million).

14. PUT OPTION LIABILITIES

In 2024, the Group acquired equity interests in Shenma and Beijing Naonao through a combination of cash consideration and the issuance of restricted ordinary shares. As part of these transactions, the investees were granted the right to repurchase the restricted shares from the Group. Effectively, the Group granted a call option to the investees, which resulted in a corresponding put option liability for the Group.

The put option liabilities are classified as Level 3 fair value measurements under ASC 820, *Fair Value Measurement*, due to the use of significant unobservable inputs in the valuation. These liabilities are initially measured and subsequently revalued using the Monte Carlo simulation model. The fair value of the put options is sensitive to key assumptions such as expected volatility, risk-free interest rates, the expected term of the options, and assumptions regarding dividend yield. The Group regularly reassesses the fair value of the put options, at least on a semi-annual basis, to reflect changes in market conditions and other relevant factors. Any changes in fair value are recognized in the consolidated statement of comprehensive income (loss) as either a gain (loss) on fair value of derivative, with a corresponding adjustment to the carrying value of the put option liabilities.

Key unobservable inputs used in the valuation of the put options were as follows:

	Shenma		Beijing Naonao	
Assumptions	Initial Valuation	As of December 31, 2024	Initial Valuation	As of December 31, 2024
Expected volatility	69.56 %	69.22 %	118.18 %	96.74 %
Risk-free rate	1.83 %	1.10 %	2.11 %	1.15 %
Contractual term	2.00	1.33	3.17	2.34
Dividend yield	0.00 %	0.00 %	0 %	0 %

The fair value of the put option liabilities is particularly sensitive to changes in expected volatility and the contractual term. These assumptions are updated regularly to reflect prevailing market conditions and the performance of the investees.

Put option liabilities are as follows:

	Shenma US$	Beijing Naonao US$ (in thousands)	Total RMB	Total US$
Transaction Date	May 20, 2024	March 26, 2024	—	—
Expiration date	April 30, 2026	May 2, 2027	—	—
Number of invstees' shares acquired	14,250	—	—	—
Option equity interest	19.00 %	21.70 %	—	—
The initial valuation of put option liabilities	199	884	7,718	1,083
The put option liabilities at December 31, 2024	14	275	1,923	*289
Gain on fair of derivative	185	609	5,795	794

* The difference of 263 USD in consolidated balance sheets is attributable to fluctuations in the exchange rate. According to the financial statements, the USD amount is converted from RMB using an exchange rate of 7.2993.

15. LEASES

The Group has operating leases primarily for office space, parking lots and warehouse after relocation of their principal office since August 2019. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the lease payments over the lease term at commencement date.

As the leases do not provide an implicit rate, an incremental borrowing rate is used based on the information available at commencement date, to determine the present value of lease payments. The incremental borrowing rates approximate the rate the Group would pay to borrow in the currency of the lease payments for the weighted-average life of the lease.

The operating lease ROU assets also include any lease payments made prior to lease commencement and excludes lease incentives and initial direct costs incurred if any. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The items related to operating lease in the consolidated balance sheets are summarized below:

	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$ (Note 3)
	(in thousands)		
Operating lease right-of-use assets	6,869	4,283	587
Operating lease liabilities-current portion	4,373	2,841	389
Operating lease liabilities-non-current portion	2,788	1,604	220

Lease cost recognized in the Group's consolidated statements of operations and comprehensive income (loss) is summarized as follows:

	Classification in Consolidated Statements of Operations and Comprehensive Income (Loss)	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$ (Note 3)
		(in thousands)		
Operating lease cost	Operating expenses	5,428	4,602	630
Cost of other leases with terms less than one year	Operating expenses	80	85	12
Total		5,508	4,687	642

Maturities of operating lease liabilities are as follows:

	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$ (Note 3)
	(in thousands)		
Due within one year	4,612	2,969	407
Due in the second year	2,734	444	61
Due in the third year	101	455	62
Due in the forth year	—	466	64
Due in the fifth year	—	415	57
Total lease payments	**7,447**	**4,749**	**651**
Less: imputed interest	(286)	(304)	(42)
Total	**7,161**	**4,445**	**609**

The following table summarizes the lease term and discount rate for the Company's operating lease as of December 31, 2024:

	Operating Lease
Weighted average remaining lease term (in years)	1.99
Weighted average discount rate	4.65 %

As of December 31, 2024, the Group does not have significant operating or finance leases that have not yet commenced. The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental cash flow information related to operating leases is as follows:

	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$ (Note 3)
	(in thousands)		
Cash paid for amounts included in the measurement of operating lease liabilities	6,196	4,817	660

16. TAXATION

Cayman Islands

Under the current tax laws of the Cayman Islands, the Group is not subject to tax on its income or capital gains. In addition, upon payment of dividends by The9 Limited to its shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

The Group's subsidiaries incorporated in Hong Kong did not have assessable profits that were derived in Hong Kong during the years ended December 31, 2022, 2023 and 2024. Therefore, no Hong Kong income tax has been provided for in the years presented.

Singapore

The Group's subsidiaries incorporated in Singapore did not have assessable profits that were derived in Singapore during the years ended December 31, 2022, 2023 and 2024. Therefore, no Singapore income tax has been provided for in the years presented.

PRC

The Group's subsidiaries and VIE subsidiaries incorporated in the PRC are subject to Enterprise Income Tax ("EIT") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the PRC Enterprise Income Tax Law ("EIT Law"), which went into effect as of January 1, 2008. The Group's subsidiaries and VIE subsidiaries in the PRC are generally subject to EIT at a statutory rate of 25%. The subsidiaries that hold a "High and New Technology Enterprise" ("HNTE") qualification are subject to a 15% preferential EIT rate. The HNTE qualification is valid for three years and every qualified HNTE company is required to re-apply for it in the three years after receiving approval. In October 2017, Shanghai IT renewed its HNTE qualification and obtained approval in 2018, which entitles Shanghai IT to enjoy a preferential EIT rate of 15% during the period from 2018 to 2020. As HNTE qualification has expired in November 2020, Shanghai IT is no longer entitled the HNTE qualification benefits. As Shanghai IT did not have taxable income for the years ended December 31, 2022, 2023 and 2024, Shanghai IT has not benefited from this preferential income tax rate.

United States

The Group's subsidiaries incorporated in the U.S. are registered in the state of Delaware and are subject to U.S. federal corporate marginal income tax rate of 21% and state income tax rate of 8.7%, respectively.

On December 22, 2017, the U.S. government enacted the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act includes significant changes to the U.S. corporate income tax system including a federal corporate rate reduction from 34% to 21%; limitations on the deductibility of interest expense and executive compensation; creation of the base erosion anti-abuse tax ("BEAT"), a new minimum tax; and the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system. A majority of the provisions in the Tax Act are effective January 1, 2018.

The Tax Act creates a new requirement that certain income such as Global Intangible Low-Taxed Income ("GILTI") earned by a controlled foreign corporation ("CFC") must be included in the gross income of the CFC U.S. shareholder. The Group has evaluated these provisions of the Tax Act and whether taxes due on future U.S. inclusions related to GILTI be recorded as current-period expense when incurred, or factored into measurement of deferred taxes. The Group concluded that the Tax Act had no material effect to the financial statements.

Composition of income tax expense

The current and deferred portions of income tax expense included in the consolidated statements of operations and comprehensive income (loss) are as follows:

	For the years ended December 31,			
	2022	2023	2024	2024
	RMB	RMB	RMB	US$
		(in thousands)		(Note 3)
PRC	—	—	—	—
Deferred tax assets				
PRC	(35,243)	(3,760)	63,310	8,673
Other jurisdictions	—	—	—	—
Subtotal	(35,243)	(3,760)	63,310	8,673
Change in valuation allowance				
PRC	35,243	3,760	(63,310)	(8,673)
Other jurisdictions	—	—	—	—
Subtotal	35,243	3,760	(63,310)	(8,673)
Income tax expense	—	—	—	—

Reconciliation of the differences between statutory tax rate and the effective tax rate

Reconciliation between the statutory EIT rate and the Group's effective tax rate is as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2024
PRC statutory EIT rate	25 %	25 %	25 %
Effect of different tax rates in other jurisdictions	0 %	0 %	(270)%
Change in future tax rate (upon expiration of preferential rate)	0 %	(1)%	0 %
Change of prior year deferred tax assets	(11)%	(37)%	16 %
Change of valuation allowance	(20)%	194 %	174 %
Income not subject to tax and non-deductible expenses, net	0 %	16 %	(2)%
Effect of expired net operating loss	6 %	(197)%	57 %
PRC withholding tax	0 %	0 %	0 %
Effective EIT rate	0 %	0 %	0 %

Significant components of deferred tax assets

	December 31, 2023 RMB	December 31, 2024 RMB (in thousands)	December 31, 2024 US$ (Note 3)
Temporary differences related to expenses and accruals	620	530	73
Temporary differences related to impairment on advances to suppliers	306	306	42
Temporary differences related to provision for doubtful accounts	549	600	82
Temporary differences related to depreciation, amortization, and impairment of equipment and intangible assets	(3,402)	(3,392)	(465)
Startup expenses and advertising fees	54	33	5
Temporary differences related to equity investments	9,252	7,747	1,061
Temporary differences related to provision for prepayment for equipment	—	—	—
Tax loss carry forwards	77,500	142,365	19,504
Total deferred tax assets	84,879	148,189	20,302
Less: Valuation allowance	(84,879)	(148,189)	(20,302)
Total deferred tax assets	—	—	—

Movement of valuation allowance on deferred tax assets

	For the year ended December 31, 2023 RMB	For the year ended December 31, 2024 RMB (in thousands)	For the year ended December 31, 2024 US$ (Note 3)
Beginning balance	88,640	84,879	11,629
Decrease in valuation allowance	(3,760)	63,310	8,673
Ending balance	84,879	148,189	20,302

For the years ended December 31, 2023 and 2024, the Group recorded a decrease of valuation allowance of approximately RMB 3.8 million and increase of RMB 63.3 million (US$8.7 million), respectively. The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will more likely than not be realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carry forward periods, the Group's experience with tax attributes expiring as unused and tax planning alternatives. Valuation allowances have been established for deferred tax assets based on a more-likely-than-not threshold. The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carry forward periods provided for in the tax law.

As of December 31, 2024, the Group's PRC subsidiaries had net operating loss carry forwards amounting to RMB 569.5 million which will expire from 2025 to 2029. The Group has provided a full valuation allowance as it is not more likely than not that the net operating losses can be utilized before expiry. According to Caishui [2018] No. 76, with effect from January 1, 2018, losses of qualified HNTE in the current year occurred five years before the year in which the entity qualified for HNTE and have not been made up shall be allowed to be carried forward to subsequent years to be made up, and the maximum carry-forward period shall be extended from five years to ten years.

In accordance with the EIT Law, dividends, which arise from profits of foreign invested enterprises ("FIEs") earned after January 1, 2008, are subject to a 10% withholding income tax. In addition, under tax treaty between the PRC and Hong Kong, if the foreign investor is incorporated in Hong Kong and qualifies as the beneficial owner, the applicable withholding tax rate is reduced to 5%, if the investor holds at least 25% in the FIE, or 10%, if the investor holds less than 25% in the FIE. A deferred tax liability should be recognized for the undistributed profits of PRC companies unless the Group has sufficient evidence to demonstrate that the undistributed dividends will be reinvested and the remittance of the dividends will be postponed indefinitely. The Group plans to indefinitely reinvest undistributed profits earned after December 31, 2007 from its PRC subsidiaries with operations in the PRC. Therefore, no withholding income taxes for undistributed profits of the Company's subsidiaries established in PRC have been provided as of December 31, 2023 and 2024. Under applicable accounting principles, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting basis over tax basis in a domestic subsidiary. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Group has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interests in VIE because these VIE do not have any accumulated earnings as of December 31, 2023 and 2024. The Group made its assessment of the level of authority for each tax position (including the potential application of interests and penalties) based on the tax positions' technical merits, and measured the unrecognized benefits associated with the tax positions. The Group did not have any unrecognized tax benefits as of December 31, 2023 and 2024. The Group does not anticipate that unrecognized tax benefits will significantly increase or decrease within the next twelve months. For the years ended December 31, 2022, 2023 and 2024, the Group did not have any material interest and penalties associated with its tax positions.

According to PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or withholding agent. The statute of limitations will be extended five years under special circumstances, which are not clearly defined. In the case of a related party transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. From inception to 2024, the Group is subject to examination by the PRC tax authorities.

17. LOAN

The following tables present the loan information as of December 31, 2023 and 2024:

	December 31, 2023:			
	Collateral	**Loan***		
	BTC	**RMB**	**USD**	
	(Amount in thousands, except BTC)			
Total	—	—	—	—

	December 31, 2024:		
	Collateral	**Loan***	
	BTC	**RMB**	**USD**
	(Amount in thousands, except BTC)		
Total	—	273	89,102	12,207

In 2024, the Group pledged a total of 273 BTC to Equities First Holdings to obtain a loan. The Maturity Date for each Tranche Loan Agreement shall be twelve months subsequent to the occurrence of the Closing Date of each Tranche. The Group shall pay to the Lender simple Interest on the Loan Principal Amount for the term of the Loan at a fixed Interest rate of 3.25% per annum. As of December 31,2024, the accrued interest is RMB432,355 which included in the interest payable line item. Loan as of December 31, 2023 and 2024 amounted to nil and RMB89.1 million (US$12.2 million), respectively. The deferred loan cost of nil and RMB 841,826 as of December 31, 2023 and 2024, respectively.

18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities are as follows:

	December 31, 2023	December 31, 2024	December 31, 2024
	RMB	RMB	US$
	(in thousands)		(Note 3)
Funds raised for CrossFire New Mobile Game	29,549	29,549	4,048
Professional services	796	2,677	367
Agency commission fees payable	2,203	—	—
Staff cost related payables	5,816	5,018	687
Office expenses	2,008	1,261	173
Product development services	15	655	90
Other payables	1,621	2,074	284
Hosting service fee	342	2	—
Others	565	430	59
Loan	1,261	—	—
Total	44,176	41,666	5,708

The Group has financed the early phase development of CrossFire New Mobile Game through fundraising from the Inner Mongolia Culture Assets and Equity Exchange. As of December 31, 2022, the Group had raised RMB57.5 million (US$7.9 million). The Group does not plan to finance the remaining RMB100.0 million (US$13.7 million) from the planned fundraising arrangement, and due to non-recovery of the advance financing fee, the Group fully impaired the advance financing fee in 2018.

In April 2020, Inner Mongolia Culture Assets and Equity Exchange filed a civil claim against the Group to recover RMB57.5 million (US$7.9 million) of principal and RMB4.6 million (US$0.6 million) of interest that the Group has previously raised to finance the early phase development of CrossFire New Mobile Game. The Group cooperated with a third-party company for development and operation of CrossFire New Mobile Game and plan to apply for the requisite license from GAPPRPT for CrossFire New Mobile Game as soon as development of the game is finalized to launch the game. In October 2020, Intermediate Court of Changsha City, Hunan Province issued a decision to reject all claims against the Group. As of the filing date, no appeal claim has been made by Inner Mongolia Culture Assets to the sentence of the court.

In April 2022, the Group has negotiated and intends to sign another settlement deed pursuant to which the Group agreed to pay Splendid Days and a third-party total of approximately USD 8.6 million in order to settle outstanding claims under the Convertible Notes. The Group recorded other payables for such estimated settlement amounts for RMB17.2 million (US$2.4 million) as of December 31, 2022. Upon the satisfaction of certain conditions set forth in the foregoing settlement deed, the arbitration proceeding will be terminated. After the final payment of USD 3 million lawsuit dues in 2023, all outstanding claims under the Convertible Notes have been settled.

In late 2021, the Group entered into a share purchase agreement with a third party 51miner Limited (“51miner”) to sell all its equity interest in Niulian Technology (Shaoxing) Co. Ltd. (“Niulian”) to 51miner. Before the disposal, Niulian held certain BTC, FIL and XCH mining machines and mined these cryptocurrencies in China. Since the regulatory risk of mining in China had been increasing, The9 decided to transfer those machines which can mine overseas to NBTC based on net book value. Therefore, as of the disposal date, the Group recorded RMB30.6 million (US$4.2 million) as other payables. As of December 31, 2024, the Group’s balance due to Niulian was RMB 1.5 million (US$0.2 million), which included in other payables.

19. REFUND OF WOW GAME POINTS

As a result of the loss of the World of Warcraft (“WoW”) license on June 7, 2009, the Group announced a refund plan in connection with inactivated WoW game point cards, which the Group recorded as refund of game points. According to the plan, inactivated WoW game point card holders are eligible to receive a cash refund from the Group. The Group recorded a liability in connection with both inactivated points cards and activated but unconsumed point cards of approximately RMB201 million.

Upon the loss of the WoW license, the Group concluded the nature of the obligation substantively changed from deferred revenue, for which the Group had the responsibility to satisfy the underlying performance obligation, to an obligation to refund players for their unconsumed points. The Group has accounted for this refund liability by applying the derecognition guidance specified in ASC 405-20. In accordance with this guidance, the refund liability associated with these WoW game points, to the extent not refunded, shall be recorded as other operating income after the Group is legally released from the obligation to refund amounts under the applicable laws. In 2012, after consultation with its legal counsel, the Group concluded the legal liability relating to the inactivated WoW game point cards was extinguished in September 2011 on the basis that the legal liability lapsed two years from the date the Group publicly announced the refund policy that applied to these cards. Accordingly, the associated liability amounting to RMB26 million was recognized as other operating income for the year ended December 31, 2011.

The remaining refund liability relating to the activated but unconsumed WoW game points amounted to RMB170 million (US$23.3 million), the remaining advance from customer about WoW amounted to RMB 5.3 million (US$0.7 million).Albeit the fact that there has been no claim of refund for more than 10 years, the Group previously took a conservative approach and decided that it would not be released from this liability until 2029 unless it publicly announces a refund policy. In 2023, the successor of the WoW game license in China also ceased the operation of WoW in China. To the Group's knowledge, there has been no noticeable public complaint relating to refund. The Group then reconsidered whether it is still reasonable to keep the refund liability on the balance sheet. The Group believes that the likelihood as to certain gamer comes to the Group to claim unconsumed WoW game points is remote, primarily because (i) back to the years when the Group operated WoW, the majority of the Company's sale of WoW game points was through physical game cards as the electronic payment system in China was not well-developed like these days; it is unlikely that gamers still keep any physical WoW game cards, (ii) there has not been any occurrence of refund claim in more than 10 years since the Company ceased the operation of WoW game, and due to the inactivity, the Group already disposed the computer servers that were used to store the operating data of the WoW game for cost considerations, and (iii) when the successor of the WoW game license in China took over the WoW game, it allowed the gamers to keep their unconsumed WoW game points and transited to its domain, which also makes it unlikely for gamers to claim refunds from the Group after all these years.

The Group engaged an external legal counsel to look into this matter, analyzed different scenarios regarding such potential claims from different parties against the Group. Based on their legal opinion, for all who may have the right to claim the refund from the Group, the statute of limitations applicable to their claims have expired, there are no other statutory circumstances of suspension or interruption of the statute of limitations. Therefore, there is no need to apply the protection of the maximum statute of limitations of 20 years, and these potential plaintiffs had lost the right to win the lawsuit. The external legal counsel further concluded that these potential plaintiffs had been unable to realize their claims through legal means and that the debt between these subjects and the Group had been extinguished from the legal point of view. Therefore, under ASC 405, the Group derecognized such liability and recognized a gain on extinguished liabilities of WoW of RMB175.3 million (US$24.0 million) as of and for the year ended December 31, 2023.

20. CONVERTIBLE NOTES

On February 2, 2021 (the "Original Issue Date"), the Group entered into a Securities Purchase Agreement ("Purchase Agreement") and a 6% Convertible Debenture Agreement (the "Note Agreement") with an accredited private investor (the "Investor" or "Holder") pursuant to which the Group agreed to issue and sell in a private placement to the Investor an aggregate principal amount of $5,000,000 of convertible notes due February 2, 2022 (the "February Note") and sold 50,000 American Depositary Shares ("ADSs") at $18.5 per share, having a fair value of $0.9 million. The Group also issued as collateral 10 million ordinary common shares (each ADSs share is worth 30 Class A ordinary shares). The collateral Class A ordinary shares subject to redemption at $0.0001 per share if not utilized to settle the outstanding convertible debenture.

The Group issued a convertible promissory note on February 2, 2021 at $5 million that mature on February 2, 2022 and accrued interest at 6.00% per annum. In connection with the promissory note, the Group issued 50,000 ADSs. The note is convertible into ADSs at a conversion price of $14 per share. The Group evaluated the potential embedded derivative resulting from the conversion feature within the Indenture for bifurcation from the February Note. The conversion feature of the February Note was deemed clearly and closely related to the February Note and accordingly was not bifurcated as a standalone derivative. Upon issuance of the February Note, the Group allocated the proceeds received to the February Note and ADSs on a relative fair value basis. As a result of such allocation, the Group determined the initial carrying value of the February Note to be $1.7 million. The Group recorded the relative fair value of the ADSs as a debt discount of $0.6 million and amortized the discount over the life of the note (12 months). The February Note had anti - dilution protection in the event of certain stock splits. The $5,000,000 convertible note was repaid in full in 2021.

On March 17, 2021 (the "Original Issue Date"), the Group entered into a Securities Purchase Agreement ("Purchase Agreement") and a 6% Convertible Debenture Agreement (the "Note Agreement") with an accredited private investor (the "Investor" or "Holder") pursuant to which the Group agreed to issue and sell in a private placement to the Investor an aggregate principal amount of $20,000,000 of convertible note due March 17, 2022 (the "March Note") and was required to issue ADSs, having a fair value of $2,444,444 as commitment shares value.

The Group issued a convertible promissory note accrued interest at 6.00% per annum on March 17, 2021 at $20 million that matured on March 17, 2022 and has been postponed until March 17, 2024. Until March 17,2024, this convertible note is still outstanding, based on the old amendment contract, the Group obtained the new matured date to March 17, 2025 and treated the amendment as effective December 31, 2023. The Group also was required to issue ADSs having a fair value of $2,444,444 as commitment shares value, subsequent to the Group having an effective registration statement for the underlying shares or on September 17, 2021. The Group issued 3,277,050 shares on May 6, 2021 having a fair value of $2,444,444. The March Note is convertible into shares of ADSs at the lower of the conversion price of 90% of the average 5 day trading price preceding the redemption notice or 90% of the closing price on the day before the redemption notice. The March Note has anti-dilution protection in the event of certain stock splits.

On August 4, 2022 (the "Original Issue Date"), the Group entered into a Securities Purchase Agreement ("Purchase Agreement") and a 6% Convertible Debenture Agreement (the "Note Agreement") with an accredited private investor (the "Investor" or "Holder") pursuant to which the Group agreed to issue and sell in a private placement to the Investor an aggregate principal amount of $5,500,000 of convertible note due August 3, 2023. The Note carried an original issue discount of $500,000 (the "OID"). In addition, the Company agreed to pay $15,000 to Investor to cover Investor's legal fees, accounting costs, due diligence, monitoring and other transaction costs incurred in connection with the purchase and sale of the Securities (the "Transaction Expense Amount"), which amount will be reduced from the amount funded hereunder. The "Purchase Price", therefore, shall be $4,985,000. The $5,500,000 convertible note was repaid in full in 2023.

The Note is convertible into shares of ADSs at the lower of the conversion price of 90% of the average 5 day trading price preceding the redemption notice or 90% of the closing price on the day before the redemption notice. All the Note have anti-dilution protection in the event of certain stock splits.

Interest on the Notes is payable by shares. Under certain circumstances, interest on the Notes will be payable in cash at the election of the holder if such payments are permitted under the Notes Agreement. The indenture governing the February and March Notes contains customary events of default. No event of default existed as the date of this annual report.

On November 13, 2023, the Company sold and issued two-year 3% per annum convertible promissory note to Bripheno PTE. LTD., which is a third party, at the purchase price of US$6 million with the conversion price of USD15 per ADS, and warrants to purchase an aggregate of 120,000,000 Class A ordinary shares (equivalent to 400,000 ADSs) at an exercise price of US$60 per ADS. The warrants will expire two years from the date of issuance. The price at which the Lender has the right to convert all or any portion of the Outstanding Balance into ADSs is $15 per ADS or US$ 0.05 per Class A ordinary share.

The Group evaluated the embedded derivative resulting from the conversion feature within the Indenture for bifurcation from the March Note. The conversion feature of the March Note was not deemed clearly and closely related to the March Note and was bifurcated as a standalone derivative. The Group recorded this embedded derivative liability as a current liability on its consolidated balance sheets with a corresponding debt discount, which is netted against the principal amount of the 6.0% Notes. The Group is accreting the debt discount associated with the March Note and ADSs to interest expense over the term of the agreement using the effective interest rate method. The fair value of the conversion option related to the March 2021 Note was calculated using the Black-Scholes option pricing model, using the following assumptions at issuance: (1) dividend yield of 0%; (2) expected volatility of 205.94%, (3) weighted average risk-free interest rate of 0.07%, (4) expected life of 1 year, and (5) estimated fair value of the Group's ADSs of $42.39 per share. The following assumptions used at December 31, 2022: (1) dividend yield of 0%; (2) expected volatility of 107.09%, (3) weighted average risk-free interest rate of 4.73%, (4) expected life of 1.21 year, and (5) estimated fair value of the Group's ADSs of $0.44 per share. The following assumptions used at December 31, 2023: (1) dividend yield of 0%; (2) expected volatility of 120.48%, (3) weighted average risk-free interest rate of 4.79%, (4) expected life of 1.21 year, and (5) estimated fair value of the Group's ADSs of $0.67 per share. The $20,000,000 convertible note was repaid in full in 2024.

The fair value of the conversion option related to the November 2023 Note was calculated using the Black-Scholes option pricing model, using the following assumptions at issuance: (1) dividend yield of 0%; (2) expected volatility of 110.09%, (3) weighted average risk-free interest rate of 5.02%, (4) expected life of 2 years.

The following table provides a summary of the changes in convertible notes, net of unamortized discount, during 2024:

	2024	
Balance at January 1,	RMB (in thousands)	66,679
Reverse of Debt discount from extension fee		2,203
Repayment of convertible debt		(34,390)
Conversion of convertible debt into ordinary shares		(19,429)
Amortization of debt discount		28,752
Exchange rate change on convertible notes' face value		(754)
Convertible debt-current, at December 31		43,061
Convertible notes, net at December 31,	RMB	43,061

As of December 31, 2024 and December 31, 2023, the Group had the following convertible notes outstanding:

	December 31, 2024				December 31, 2023			
	Principal		Accrued Interest		Principal		Accrued Interest	
March 2021 $20,000,000 Notes convertible into ADS common stock, 6% interest, due March 2024	RMB	129,956	RMB	18,084	RMB	129,956	RMB	16,383
August 2022 $5,500,000 Notes convertible into ADS common stock, 6% interest, due August 2023	RMB	—	RMB	—	RMB	37,200	RMB	3,104
November 2023 $6,000,000 Notes convertible into ADS common stock, 3% interest, due November 2025	RMB	43,061	RMB	1,480	RMB	43,061	RMB	170
Modified the CB principal	RMB	2,989	RMB	—	RMB	2,989	RMB	—
Conversion of convertible debt into ordinary shares	RMB	(98,428)	RMB	(14,494)	RMB	(78,999)	RMB	(14,169)
Repayment of convertible debt	RMB	(38,170)	RMB	(3,590)	RMB	(42,903)	RMB	(5,219)
Exchange rate change on convertible notes' face value	RMB	3,653	RMB	—	RMB	6,330	RMB	—
Total Convertible Notes Payable, Net	RMB	43,061	RMB	1,480	RMB	97,634	RMB	268
Less: Debt Discount		—		—		(30,955)		—
	RMB	43,061	RMB	1,480	RMB	66,679	RMB	268

Amortization of debt discount and interest expense for the years ended December 31, 2024, 2023 and 2022 on the convertible notes payable amounted to RMB 31.8 million (US$4.4 million), RMB 31.2 million and RMB 23.2 million, respectively.

21. WARRANTS

In January 2021, the Group entered into a share subscription and warrant purchase agreement with the holding entities of several investors ("Investors") in the cryptocurrencies mining industry based on the pre-agreed legally-binding term sheet. Pursuant to the purchase agreement, the Group issued 8,108,100 Class A ordinary shares in aggregate at US$0.1233 per Class A ordinary share and 207,891,840 warrants in aggregate, each warrant representing the right to purchase one Class A ordinary share, to the Investors in February 2021. The warrants are divided into four equal tranches: Tranche I Warrants, Tranche II Warrants, Tranche III Warrants and Tranche IV Warrants. The exercise price of each of the Tranche I Warrants, Tranche II Warrants and Tranche III Warrants is US$0.1233 per Class A ordinary share while the exercise price of the Tranche IV Warrants is US$0.2667 per Class A ordinary share. The warrants will only be exercisable upon the satisfaction of its respective condition in connection with the market capitalization of the Company reaching US$100 million, US$300 million, US$500 million and US$1 billion within the time frames of 6 months, 12 months, 24 months and 36 months from its issuance date, respectively. The transaction was closed in February 2021. These warrants are classified as equity and so there is no remeasurement to the warrants after initial recognition. The fair value of these warrants as of the initial recognition was US$122 million. Variables used in the option-pricing model include (1) risk-free interest rate at the date of grant (0.18%), (2) expected warrant life of 3 years, (3) expected volatility of 190%, and (4) expected dividend yield of 0. In July 2022, our board of directors approved to cancel 51,972,960 Tranche IV warrants previously granted. The fair value of the remaining Tranche I/II/III warrants was US$92 million. The warrants expired in 2024.

In April 2021, the Group completed an underwritten offering with Maxim Group LLC. In this transaction, The Group issued 112,953,000 Class A ordinary shares, or 3,765,100 American Depositary Shares ("ADSs") and warrants to purchase 2,823,825 ADSs. The offering price of each ADS and accompanying 0.75 of an ADS warrant is $33.20. Each warrant has an exercise price of $36.00 per ADS, will be exercisable upon issuance, and will expire three years from the date of issuance. In addition, the underwriter Maxim Group LLC also subscribed the over-allotment for an additional 16,942,800 Class A ordinary shares, or 564,760 ADSs and warrants to purchase 423,570 ADSs at the same price. The over-allotment warrants also have an exercise price of $36.00 per ADS, will be exercisable upon issuance, and will expire three years from the date of issuance. These warrants are classified as equity and so there is no remeasurement to the warrants after initial recognition. The fair value of these warrants as of the initial recognition was US$94 million. Variables used in the option-pricing model include (1) risk-free interest rate at the date of grant (0.37%), (2) expected warrant life of 3 years, (3) expected volatility of 236%, and (4) expected dividend yield of 0. The warrants expired in 2024.

On November 13, 2023, the Company sold and issued (i)150,000,000 Class A ordinary shares (equivalent to 500,000 American Depository Shares, or ADSs) at a price of USD12 per ADS; (ii)two-year 3% per annum convertible promissory note at the purchase price of US$6 million with the conversion price of USD15 per ADS and (iii)warrants to purchase an aggregate of 120,000,000 Class A ordinary shares (equivalent to 400,000 ADSs) at an exercise price of US$60 per ADS. The warrants will expire two years from the date of issuance. All of the above securities are subject to a 6-month lock up period. The Company has raised a total of US$12 million as the aggregate consideration for the securities. These warrants are classified as equity and there is no remeasurement to the warrants after initial recognition. The fair value of these warrants as of the initial recognition was US$488,881. Variables used in the option-pricing model include (1) risk-free interest rate at the date of grant (5.02%), (2) expected warrant life of 2 years, (3) expected volatility of 111%, and (4) expected dividend yield of 0.

22. FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1 — Valuations based on unadjusted quoted prices for identical assets and liabilities in active markets.

Level 2 — Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated.

Level 3 — Valuations based on unobservable inputs reflecting assumptions, consistent with reasonably available assumptions made by other market participants.

Fair value of call option assets and put option liabilities categorized within Level 3 of the fair value hierarchy involves using unobservable inputs. These inputs are typically based on the entity's own assumptions about market participant behavior, as observable market data is not available. Here are some common assumptions and considerations: 1) Valuation Techniques: (i) Monte Carlo Simulation: the fair value of the call option related to Beijing Naonao and the fair value of put option liabilities of Shenma and Beijing Naonao are estimated using a Monte Carlo simulation model. The fair value of the call option related to Kuaijin is estimated using the Black-Scholes option pricing model. 2) Significant unobservable inputs: Both models incorporate key assumptions, including expected volatility (69.22%-118.18%), risk-free interest rates (1.1%-2.11%), the contractual term of the options (1.33-3.17), and dividend yield (0%).

The following table summarizes the Group's assets and liabilities that are measured at fair value on a recurring basis and are categorized under the fair value hierarchy:

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	RMB	RMB	RMB	RMB
Assets:		(in thousands)		
Investments accounted for under readily determinable fair values	8,194	—	—	8,194
Cryptocurrencies	107,961	—	—	107,961
Call option assets	—	—	—	—
Total	116,155	—	—	116,155
Liabilities:				
Conversion Feature Derivative Liability	28,605	—	—	28,605
Put option liabilities	—	—	—	—
Total	28,605	—	—	28,605

	As of December 31, 2024				
	Level 1	Level 2	Level 3	Total	
	RMB	RMB	RMB	RMB	USD (Note 3)
Assets:			(in thousands)		
Investments accounted for under readily determinable fair values	1,020	—	—	1,020	139
Cryptocurrencies	206,130	—	—	206,130	28,240
Call option assets	—	—	15,843	15,843	2,171
Total	207,150	—	15,843	222,993	30,550
Liabilities:					
Conversion Feature Derivative Liability	—	—	—	—	—
Put option liabilities	—	—	1,923	1,923	263
Total	—	—	1,923	1,923	263

23. SHAREHOLDER RIGHTS PLAN

On January 8, 2009, the Company adopted a shareholder rights plan. The shareholder rights plan is designed to protect the best interests of the Company and its shareholders by discouraging third-parties from seeking to obtain control of the Company in a tender offer or similar hostile transaction. The shareholder rights plan was amended on March 9, 2009, June 8, 2017, and June 16, 2017.

Pursuant to the terms of the shareholder rights plan, as amended, one right was distributed with respect to each ordinary share of the Company outstanding at the close of business on January 22, 2009. The rights will become exercisable only if a person or group (the "Acquiring Person") obtains ownership of 15% or more of the Company's voting securities (including by acquisition of the Company's ADSs representing ordinary shares) (a "Triggering Event"), subject to certain exceptions. In the case of a Triggering Event, the rights plan entitles shareholders other than the Acquiring Person to purchase, for an exercise price of US$19.50, a number of shares with a value twice that of the exercise price. The number of shares each such shareholder will be entitled to purchase is equal to the product of (i) the number of shares then owned by such shareholder and (ii) two times the exercise price divided by the then current market price per share. The rights plan expired on January 8, 2019. The plan has not been exercisable as of the expiration date and has not been extended.

On May 6, 2019, an extraordinary general meeting was held to adjust the authorized share capital and to adopt a dual-class share structure, consisting of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share is entitled to one vote per share on all matters subject to vote at general meetings of the Group. Each Class B ordinary share is entitled to fifty (50) votes per share on all matters subject to vote at general meetings of the Group. Class A ordinary shares and Class B ordinary shares were split from the ordinary shares issued at the time of change. No new shares were issued.

As a special resolution in the annual general meeting of shareholders and the class meeting of holders of the Class B ordinary shares held on December 22, 2021, the Company's Second Amended and Restated Memorandum and Articles of Association was amended so that each Class B ordinary share of the Company shall entitle the holder thereof to one hundred (100) votes per share on all matters subject to vote at general meetings of the Company.

Only Mr. Jun Zhu and Incsight Limited ("Incsight") hold Class B ordinary shares. As of December 31, 2024, there were 3,739,074,993 ordinary shares issued and outstanding, being the sum of 3,675,467,659 Class A ordinary shares and 63,607,334 Class B ordinary shares.

24. EMPLOYEE BENEFITS

Full-time employees of the Group's subsidiaries and VIE subsidiaries registered in the PRC are entitled to statutory staff welfare benefits, including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. These subsidiaries and VIE subsidiaries are required to accrue for these benefits based on certain percentages of the employees' salaries in accordance with the relevant regulations, and to make contributions to the state-sponsored pension and medical plans out of the amounts accrued for medical and pension benefits. The total amounts charged to the consolidated statements of operations and comprehensive income (loss) for such employee benefits amounted to RMB6.4 million, RMB5.5 million and RMB4.4 million (US$0.6 million) for the years ended December 31, 2022, 2023 and 2024, respectively. The PRC government is responsible for the medical benefits and ultimate pension liability to these employees.

25. SHARE-BASED COMPENSATION

25.1 Share Option Plan

On December 15, 2004, in connection with its initial public offering, the Company adopted a share option plan ("2004 Option Plan"). As of December 31, 2013, the total number of ordinary shares reserved in the 2004 Option Plan was 6,449,614 shares. The maximum contractual term of the awards under this plan shall be no more than five years from the date of grant. The options granted under this plan shall be at the money on the date of grant and typically vest over a three-year period, with one third of the options to vest on the each of the anniversary after the grant date. The 2004 Option Plan was amended in November 2015 to increase the maximum aggregate number of ordinary shares to 14,449,614 shares. The 2004 Option Plan was amended in August 2016 to increase the maximum aggregate number of ordinary shares to 34,449,614 shares. On June 6, 2017, the Group and optionees have entered into certain stock option agreements, pursuant to which the Group has granted to the optionees options to acquire the ordinary shares, par value US$0.01 each, of the Group. According to the agreements, 6,328,535 options were exercised to ordinary shares, and 10,806,665 options were canceled. In December 2018, the 2004 Option Plan was amended to increase the maximum aggregate number of ordinary shares to 100,000,000 shares. By the amendment to the Option Plan in August 2021, we increased the total number of ordinary shares reserved under the Option Plan from 100,000,000 to 250,000,000. In addition, the 2004 Option Plan was amended in April 2023 to increase maximum number of ordinary shares to 550,000,000. As of December 31, 2024, options to purchase 50,000 ordinary shares were expired and 1,613,704,900 ordinary shares were available for future grant under the 2004 Option Plan.

Restricted Ordinary Shares

On September 4, 2018, the Group granted an aggregate amount of 30,000,000 restricted ordinary shares to directors, officers and consultants. In exchange for such restricted ordinary shares granted, the Group forfeited and canceled the stock options in the total amount of 6,200,000 shares previously granted on January 24, 2018. Half of each individual's shares will only vest if the Group meets certain target on non-GAAP profit before tax in 2019. If the Group fails to achieve this target, such half of each individual's shares will be forfeited and canceled. The remaining half of each individual's shares is subjected to a half year lock-up period. After the half year lock-up period, such remaining shares shall become vested in 36 successive equal monthly installments upon grantees' completion of each month of service to the Group measured from the last day of each month after the vesting commencement date.

On January 21, 2019, the Group forfeited and canceled an aggregate amount of 15,000,000 restricted ordinary shares with the vesting condition that the Group meets certain target on non-GAAP profit before tax in 2019 previously granted on September 4, 2018. The vesting conditions of the remaining 15,000,000 ordinary shares are subjected to a half year lock-up period. After the half year lock-up period, such remaining shares shall become vested in 24 successive equal monthly installments instead of 36 installments upon grantees' completion of each month of service to the Group measured from the last day of each month after the Vesting Commencement Date dated on March 5, 2019.

On June 17, 2020, the Group granted an aggregate amount of 29,100,000 restricted Class A ordinary shares to directors, officers and consultants as share incentive awards for their services to the Company pursuant to Eighth Amended and Restated 2004 Stock Option Plan. Among those restricted Class A ordinary shares grants, 15,600,000 restricted Class A ordinary shares are subject to restrictions on transferability that would be removed once certain pre-agreed performance targets are met, and 13,500,000 restricted Class A ordinary shares are subject to restrictions on transferability for a six-month period that would be removed in installments once certain service period conditions are met. All the restrictions attached to those shares have been removed upon the satisfaction of the underlying targets and conditions as of December 31, 2021.

On February 14, 2021, our board of directors and board committees authorized and approved the issuance of an aggregate number of 33,090,000 Class A ordinary shares of our company to certain directors, executive officers, employees and consultants of our company as share incentive awards for their services to us pursuant to the Option Plan. Among those Class A ordinary shares grants, 32,190,000 shares were restricted Class A ordinary shares, subject to restrictions on transferability to be removed upon the satisfaction of the conditions that half of the restricted shares should vest if our market capitalization reaches US$400 million and the other half should vest if our market capitalization reaches US$500 million. We also granted 900,000 restricted Class A ordinary share units to our directors which are immediately vested and issued the same number of shares.

In September 15, 2021, our board of directors and board committees authorized and approved the issuance of an aggregate number of 44,290,560 Class A ordinary shares of our company to certain directors, executive officers, employees and consultants of our company as share incentive awards for their services to us pursuant to the Option Plan. Among those Class A ordinary shares grants, 44,290,560 shares were restricted Class A ordinary shares, subject to the following vesting condition: restricted shares shall vest within two years, i.e., 1/24th of all restricted share grants shall vest on the last day of each month after the date of the grant. We also granted 4,950,000 restricted Class A ordinary share units to our directors which are immediately vested and issued the same number of shares.

On September 7, 2023, our board of directors and board committees authorized and approved the issuance of an aggregate number of 214,650,000 Class A ordinary shares of our company to certain directors, executive officers, employees of our company as share incentive awards for their services to us pursuant to the Tenth Amended and Restated 2004 Stock Option Plan. Among those Class A ordinary shares grants, the 205,200,000 Class A ordinary shares issued pursuant to the restricted share grants to the executive officers and employees of the Company are subject to a three-year vesting schedule and lock-up restrictions, provided that the second-year and the third-year tranches of the restricted share grants shall be released from the lock-up restrictions only upon the satisfaction of certain pre-agreed performance targets. The remaining 9,450,000 Class A ordinary shares were issued pursuant to the restricted share units granted to the independent directors of the Company as part of their compensation for their services as independent directors of the Company for the next three years.

In June 2024, our board of directors and board committees authorized and approved the issuance of 11,250,000 Class A ordinary shares, pursuant to the Option Plan, to the company's consultants who provided advisory services in connection with entering into relevant share purchase agreements with investees companies engaged in AIGC business.

In October 2024, our board of directors and board committees authorized and approved the issuance of 63,947,400 Class A ordinary shares, pursuant to the Stock Option Plan, to the company's consultant who provided advisory services in connection with entering into the Publishing Agreement with Wemade Co., Ltd.

From December 2024 to February 2025, our board of directors and board committees authorized and approved the issuance of an aggregate number of 5,929,200 Class A ordinary shares to the company's consultants who provided advisory services in connection with entering into the definitive joint venture agreements with online game operations and marketing companies.

Share-Based Compensation

For the years ended December 31, 2022, 2023 and 2024, the Group recorded share-based compensation of RMB202.3 million, RMB70.8 million and RMB44.7 million (US$6.1 million), respectively, for restricted ordinary shares granted to the Group's employees and directors.

As of December 31, 2024, there was approximately RMB269.7 million (US$36.9 million) unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested options and restricted shares with performance condition. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures.

26. RELATED PARTY TRANSACTIONS AND BALANCES

Transaction with Mr. Jun Zhu

Mr. Jun Zhu, the chairman and chief executive officer, provided loans of nil and nil to the Group in 2023 and 2024, respectively. The Group has repaid a total of RMB9.5 million and RMB2.0 million (US$0.3 million) for the years ended December 31, 2023 and 2024, respectively. The loans were interest-free and the outstanding balance of RMB2.0 million and nil remained as of December 31, 2023 and 2024, respectively.

In November 2024, the Company issued a total of 50,000,000 Class B ordinary shares to Mr. Jun Zhu, at a price of $0.0297 per share. The transaction was valued at RMB 10,660,221 (USD$1,485,000), which approximates the fair value of the shares at the issuance date and is included in stock-based compensation expenses for the year ended December 31, 2024.

In May 2019, the issued and outstanding ordinary shares then held by Incsight, which is wholly owned by Mr. Jun Zhu, and the issued and outstanding ordinary shares then held by Mr. Jun Zhu himself, were re-designated and re-classified as Class B ordinary shares. All other ordinary shares then issued and outstanding were re-designated and re-classified as Class A ordinary shares. On the same date, the Company amended and restated then effective Amended and Restated Memorandum of Association and Articles of Association in their entirety and adopted the Second Amended and Restated Memorandum and Articles of Association which reflect, among other things, the changes to the capital structure of the Company. As a result of such changes, Mr. Jun Zhu holds the majority of the Company's outstanding voting power and the Company became a "controlled company" as defined under Nasdaq Stock Market Rules.

Transaction with Comtec

In June 2019, the Group entered into a share purchase agreement with Comtec Windpark Renewable (holdings) Co., Ltd. ("Comtec"), a wholly-owned subsidiary of Comtec Solar Systems Group Limited (SEHK: 00712) ("Comtec Group"), an entity affiliated with Kwok Keung Chau at that time., Kwok Keung Chau is an independent director of the Company. He resigned from Comtec Group in January 2020 so he is no longer an affiliate with Comtec. Pursuant to the share purchase agreement, the Company has issued 3,444,882 Class A ordinary shares to purchase 9.9% equity interest in Zhenjiang Kexin, a lithium battery management system and power storage system supplier.

27. (LOSS) INCOME PER SHARE

Loss per share is calculated as follows:

	For the year ended December 31, 2022 RMB	For the year ended December 31, 2023 RMB	For the year ended December 31, 2024 RMB (in thousands)	For the year ended December 31, 2024 US$ (Note 3)
Numerator:				
Loss from continuing operations	(693,406)	(144,277)	(73,642)	(10,089)
Gain (loss) from discontinued operations, net	(286,086)	156,853	—	—
Net loss attributable to noncontrolling interest	(4,633)	(7,427)	(218)	(30)
Net (loss) income attributable to shareholders of ordinary shares	(974,859)	20,003	(73,424)	(10,059)
Denominator:				
Denominator for basic and diluted (loss) income per share – weighted-average shares outstanding	720,237	1,010,895	1,403,166	1,403,166
Net (loss) income attributable to shareholders of ordinary shares per share				
- Continuing operations – basic and diluted	(0.96)	(0.14)	(0.05)	(0.01)
- Discontinued operations – basic and diluted	(0.40)	0.16	—	—
- Total – basic and diluted	(1.36)	0.02	(0.05)	(0.01)

The Company had 271,620,613, 520,698,343 and 193,650,000 stock options, warrants and non-vested shares outstanding as of December 31, 2022, 2023 and 2024, respectively, which were excluded in the computation of diluted loss per share in the periods presented, as their effect would have been anti-dilutive due to the net loss reported in such periods.

28. RESTRICTED NET ASSETS

Pursuant to laws applicable to entities incorporated in the PRC, the subsidiaries and the VIE of the Group established in the PRC must make appropriations from after-tax profit to non-distributable reserved funds. These reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires annual appropriation of 10% of after tax profit (as determined under accounting principles generally accepted in the PRC at each year-end) until the accumulative amount of such reserved fund reaches 50% of their registered capital; the other fund appropriations are at the subsidiaries' discretion. These reserve funds can only be used for specific purposes of enterprise expansion, and the staff bonus and welfare are not distributable as cash dividends. The appropriation to these reserves by the Group's PRC entities was nil for the years ended December 31, 2022, 2023 and 2024. The accumulated reserves as of December 31, 2023 and 2024 were RMB10.6 million and RMB7.3 million (US$1.0 million). In addition, due to restrictions on the distribution of registered capital from the Company's PRC subsidiaries, the PRC subsidiaries' registered capital of RMB88 million and RMB144.5 million (US$19.8 million) as of December 31, 2023 and 2024, were considered restricted. As a result of these PRC laws and regulations, as of December 31, 2023 and 2024, approximately RMB77.4 million and RMB137.2 million (US$18.8 million), were not available for distribution to the Company by its PRC subsidiaries in the form of dividends, loans or advances.

29. NONCONTROLLING INTEREST

The following schedule shows the movement on the noncontrolling interests of The9 Limited for the years ended December 31, 2022, 2023 and 2024.

	RMB	US$ (Note 3)
	(in thousands)	
Noncontrolling interests on December 31, 2021	13,015	1,783
Net loss attributable to noncontrolling interests	4,633	635
Contributions from noncontrolling interests	(40)	(5)
Noncontrolling interests from consolidation since acquisition	163	22
Noncontrolling interests on December 31, 2022	17,771	2,435
Net loss attributable to noncontrolling interests	7,427	1,017
Contributions from noncontrolling interests	(262)	(36)
Noncontrolling interests from consolidation since acquisition	—	—
Noncontrolling interests on December 31, 2023	24,936	3,416
Net loss attributable to noncontrolling interests	218	30
Contributions from noncontrolling interests	(1,099)	(151)
Noncontrolling interests from consolidation since acquisition	(10,278)	(1,408)
Noncontrolling interests on December 31, 2024	13,777	1,887

30. ORDINARY SHARES CONTIGENTLY REDEEMABLE

In 2024, the Group issued restricted shares in exchange for investment, and the investees have the right to force redemption or cancel all or a portion of the Company's consideration shares which remain locked up and are held by investees. For Beijing Naonao, Beijing Naonao has the right to force redemption or cancel all or a portion of the Company's consideration shares which remain locked up and are held by Beijing Naonao. For Shenma Limited, Shenma has the right to force redemption or repurchase from the Company of their restricted shares or cancel all or a portion of the Company's consideration shares which remain locked up and are held by Shenma,. Accordingly, the Company's consideration shares are redeemable and are presented as a temporary equity in the mezzanine section of the balance sheet. The total redeemable restricted shares as of December 31, 2024, amounted to 669,171,000.

Ordinary shares contingently redeemable is as follows:

	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$ (Note 3)
		(in thousands)	
Ordinary shares contingently redeemable ending balance	—	102,638	14,061

31. DISPOSAL OF SUBSIDIARIES

The9 Interactive Inc. was a wholly-owned subsidiary of The9 Limited. Since all the business activities have been terminated from 2019, The9 Interactive Inc. was converting into dormant status. The9 decided to dispose the company by December 31, 2022. The Group had recorded a loss of RMB 3.7 million (US$0.5 million) as of and for the year ended December 31, 2022 as loss on disposal of subsidiaries.

In late 2021, we formally stepped into the NFT business. Up to year 2023，the financial performance of NFT business was extremely poor, the Company decided to terminate the wholly- owned NFT business and began to seek a buyer for this business in the first half of 2023. On October 13, 2023, The9 Limited signed the share sale contract with PT. DIFI NFT INDONESIA, which is a third party. The Group sold 1 Ordinary share of NFTSTAR Singapore Pte. LTD. (the parent company of NFT relevant business group) to the Purchaser for SGD 1.00. The Group had recorded a net gain of RMB 158.8 million (US$22.4 million) as of and for the year ended December 31, 2023 as gain on disposal of discontinued operations, net of tax.

NSWAP Singapore PTE.LTD. (“NSWAP”) was a wholly-owned subsidiary of The9 Limited. Since NSWAP was in a dormant state for over one year, the Group submitted the shutdown application and obtained the approval from the Accounting and Corporate Regulatory Authority in November 2023. The Group had recorded a loss of RMB 0.3 million (US$0.04 million) as of and for the year ended December 31, 2023 as loss on disposal of subsidiaries.

City Channel Ltd. was a wholly-owned subsidiary of The9 Limited, which was established in the Hong Kong (the “HK”) under the laws of the HK. Since City Channel Ltd was in a dormant state for years, the Group submitted the shutdown application and City Channel Ltd has been closed in January 2024. The Group has recorded a gain of RMB 7.5 thousand (US$1.0 thousand) as of and for the year ended December 31, 2024.

System Run Limited was a wholly-owned subsidiary of The9 Limited, which was established in the Cayman Islands (the “Cayman”) under the laws of the Cayman. Since System Run Limited was in a dormant state for years, the Group submitted the shutdown application, and System Run Limited has been closed in January 2024. Since System Run Limited did not conduct any business, there is no disposal gain or loss.

FF The9 China Joint Venture Limited was a subsidiary of The9 Limited, which was established in the Hong Kong (the “HK”) under the laws of the HK. Since FF The9 China Joint Venture was in a dormant state for years, the Group submitted the shutdown application, and FF The9 China Joint Venture Limited has been closed in January 2024. Since FF The9 China Joint Venture Limited did not conduct any business, there is no disposal gain or loss.

NCHIP COMPUTING PTE. LTD was a wholly-owned subsidiary of The9 Limited, which was established in Singapore under the laws of Singapore. Since NCHIP COMPUTING PTE. LTD was in a dormant state for over one year, the Group submitted the shutdown application, and NCHIP COMPUTING PTE. LTD has been closed in April 2024. Since NCHIP COMPUTING PTE. LTD did not conduct any business, there is no disposal gain or loss.

New Star International Development Limited was a wholly-owned subsidiary of The9 Limited (“The9”), which was established in the Hong Kong (the “HK”) under the laws of the HK. Since New Star International Development Limited was in a dormant state for over one year, the Group submitted the shutdown application, and New Star International Development Limited has been closed in February 2024. Since The9 New Star International Development Limited did not conduct any business, there is no disposal gain or loss.

Montcompute Ltd. (“Montcompute”) was a majority-owned subsidiary of the Group, with a 61% equity interest. The entity was incorporated in Canada under Canadian law in 2021.

On July 31, 2024, the Group entered into an agreement to voluntarily relinquish a portion of its equity interest in Montcompute without receiving any consideration. As a result of this transaction, the Group's ownership was reduced from 61% to 30%. The decision to reduce its stake was based on concerns regarding Montcompute's long-term business prospects and internal strategic misalignments. Effective August 1, 2024, Montcompute no longer met the criteria for consolidation, and the Group deconsolidated the entity in accordance with ASC 810, Consolidation.

Following the loss of control, the Group retained one seat on Montcompute's board of directors, allowing it to exercise significant influence over Montcompute's financial and operational decisions. Accordingly, as of August 1, 2024, the Group accounts for its 30% remaining interest in Montcompute under the equity method in accordance with ASC 323, Investments — Equity Method and Joint Ventures.

As of the deconsolidation date, Montcompute's net assets totaled RMB1.8 million (US$0.3 million). The Group recognized its 30% retained interest at RMB 0.55 million (US$ 0.08 million), which represented the fair value at the date of the transaction. In connection with the deconsolidation, the Group recorded a loss of RMB 11.6 million (US$1.6 million) during the year ended December 31, 2024.

For the period from August 1, 2024 to December 31, 2024, Montcompute incurred a net loss of RMB4.9 million (US$0.7 million). The Group's share of this loss under the equity method was RMB 1.5 million (US$ 0.2 million). However, in accordance with ASC 323-10-35-20, the Group recognized its share of losses only to the extent of its investment balance. As of December 31, 2024, the Group's investment in Montcompute was RMB 0.55 million (US$ 0.08 million), and this amount was fully recognized as its share of the loss for the reporting period ended December 31, 2024.

Niuxin US Inc. (Niuxin) was a wholly-owned subsidiary of NBTC Limited (HK), which was established in the United States of America (the "USA") under the laws of the USA. Niuxin has been closed in December 2024. The Group has recorded a gain of RMB 2,190 (US$300) as of and for the year ended December 31, 2024.

32. COMMITMENTS AND CONTINGENCIES

32.1 Other operating commitments

In September 2020, the Group entered into a master cooperation and publishing agreement with Voodoo, a French game developer and publisher, to cooperate on the publishing and operations of casual games in mainland China. Pursuant to the master cooperation and publishing agreement and amendment agreement entered in December 2020, the Group obtained exclusive licenses of several games developed by Voodoo. Voodoo granted the Group an exclusive, sub-licensable license to test, perform, market, promote, distribute, reproduce, modify, support and/or otherwise use or exploit such games directly or through authorized contractors in mainland China for a maximum period of three years, commencing upon the upload and distribution of the underlying games on any platform. In consideration for the exclusive license granted to the Group and as a minimum guarantee payment, the Group is to pay an aggregate amount of US$13.0 million in cash to Voodoo based on the agreed timetable, subject to satisfaction of certain conditions related to delivery of games by Voodoo, including an upfront payment of US$3.0 million that the Group has paid in September 2020. After the Group turned its business focus to blockchain business in 2021, such game development had been ceased.

In May 2024, the Group entered into an exclusive publishing license agreement with Wemade Co., Ltd. The Group will exclusively publish and service the new MIR M game in mainland China. According to the agreement, the total license fee is RMB 18.0 million and the total minimum payment is RMB 42.0 million. As of December 31, 2024, the Group has prepaid for the license fee of RMB 9.0 million (US$ 1.2 million) and prepaid minimum payment of RMB 9.0 million (US$ 1.2 million). The remaining license fee of RMB 9.0 million will be paid after the close beta testing date, and the second minimum payment of RMB 9.0 million will be paid after the close beta testing date and the remaining minimum payment of RMB 24.0 million will be paid after commercial launch.

32.2 Contingencies

Legal Proceedings

Due to the Group's failure to repay the convertible notes in a timely manner as stipulated in the previous deed of settlement and its amendments, in May 2020, Splendid Days obtained an injunction order from the Court of First Instance of the Hong Kong Special Administrative Region prohibiting the Group from disposing its assets worldwide up to the value of US$55.5 million and such injunction order was also registered in the High Court of the Republic of Singapore. In May 2020, Splendid Days also commenced an arbitration proceeding in Hong Kong under the rules of the Hong Kong International Arbitration Centre against the Group. On May 29, 2020, the Group entered into a Settlement Deed with Splendid Days and other parties named therein to settle the Convertible Notes. The injunction order against the Group had been discharged. As of December 31, 2021, the arbitration proceeding has not been terminated. In April 2022, the Group has negotiated and intends to sign another settlement deed pursuant to which the Group agreed to pay Splendid Days and a third-party total of approximately USD 8.6 million in order to settle outstanding claims under the Convertible Notes. The Group recorded other payables for such estimated settlement amounts for RMB 54.7 million (US$ 7.5 million) for the year ended December 31, 2021. As of December 31, 2023, the Group was paid up all the payment and the arbitration proceeding terminated.

Skychain Technologies Inc materially breached the Financing Agreement with us by failing to obtain permits required to complete the cryptocurrency hosting facility in Birtle, Manitoba, Canada and abandoned the construction project as a result. On July 6, 2022, the Group filed a complaint against Skychain and its wholly owned subsidiary Miningsky Technologies (Manitoba) Inc. As of the date of this annual report, the Group have obtained summary judgment for CAD 2 million and are in the processes of enforcement. Skychain has filed the appeal, which was rejected by the court in April 2023.

On August 5, 2022, the Group filed a complaint against Compute North, LLC for breach of contract under which Compute North should provide a facility to deploy the Group's cryptocurrency machines. Compute North filed an application for bankruptcy and the Group's complaint automatically stayed as a result until the bankruptcy is resolved. In February 2023, the bankruptcy court has approved the bankruptcy reorganization plan.

In March 2023, the Group and Crypto Mine Group LLC entered into a hosting agreement pursuant to which Crypto Mine Group LLC, later renamed into Hashland Inc., agreed to host the Group's mining machines in its data center located at Pecos County, Texas, United States. In 2024 the Group has filed a complaint against Hashland Inc. for breach of hosting agreement under which Hashland should provide a mining facility and perform uninterrupted hosting services. Hashland Inc. failed to perform its obligations, therefore the Group terminated the hosting agreement and sued them in the state court of Texas to recover the's Group paid security deposit, damages and losses. The first hearing should be set by the court sometime in 2025.

In August 2021, the Group and a Kazakhstan company LGHSTR Ltd. have signed a non- binding investment memorandum to establish a joint venture in Kazakhstan. Subsequently, the Group have decided to terminate joint venture and instead to cooperate based on contractual basis through signing of hosting services agreements with LGHSTR Ltd. and its affiliates for deployment of miners in the data-center located in Aktau region, Kazakhstan. Hosting agreements are in substantially similar forms with the term of one year, which could be automatically extended for another one-year period, unless terminated by the parties under the conditions therein. Pursuant to the hosting agreements, the Group has a right to suspend operations or terminate the agreements in case the price of Bitcoin will be below the Group's operational costs. As of December 31, 2024, the Group has terminated hosting agreements. Prior to termination, the Group deployed total of 2,094 mining machines with a total hash rate of 188,460 TH. In February 2025, the Group submitted case filing materials against shareholders of LGHSTR in the Hongkou district court of Shanghai, China. In April 2025, the Group were informed by the court that the court determined to proceed, on a prima facie basis, with the case, and the case will be placed on a waiting list for formal filing.

Other than the foregoing, the Group are currently not a party to any material legal or administrative proceedings. The Group may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

33. SEGMENT REPORTING

As of December 31, 2024, the Group has two reportable segments, each evaluated separately by the CODM: crypto mining business, and Other (corporate and Online game services and others). The Group's Chief Executive Officer ("CEO") serves as the CODM, responsible for strategic decisions regarding operations and financial The CODM uses revenue, expenses, and segment assets of the Group's two reportable segments to assess their performance. The following tables present information of revenue and expenses about the Group's reportable segments for the years ended December 31, 2024, 2023 and 2022:

Year ended December 31, 2024:

	Cryptocurrency Mining	Corporate	Total	
	RMB	RMB	RMB	USD (Note 3)
		(in thousands)		
Revenue	110,739	975	111,714	15,305
Less:				
Cost of revenue	(106,464)	(6,854)	(113,318)	(15,524)
Product development	—	(856)	(856)	(117)
Sales and marketing	—	(246)	(246)	(34)
General and administrative	(49,127)	(108,705)	(157,832)	(21,623)
Impairment on advance and other assets	—	(794)	(794)	(109)
Impairment Loss of equipment	(6,505)	—	(6,505)	(891)
Realized gain on exchange cryptocurrencies	60,783	—	60,783	8,327
Fair value change on cryptocurrencies	48,290	—	48,290	6,616
Segment profit (loss)	57,716	(116,480)	(58,764)	(8,050)
Reconciliation of segment profit (loss):				
Loss on disposal of subsidiaries	—	—	(11,606)	(1,590)
Impairment on other investments	—	—	(7,160)	(981)
Interest expenses	—	—	(34,224)	(4,689)
Gain on fair value of derivative	—	—	45,037	6,170
Other expenses, net	—	—	(5,803)	(795)
Share of loss in equity method investments	—	—	(1,122)	(154)
Net loss	—	—	(73,642)	(10,089)

Year ended December 31, 2023:

	Cryptocurrency Mining	Corporate	Total
	RMB	RMB	RMB
		(in thousands)	
Revenue	168,324	5,721	174,045
Less:			
Cost of revenue	(191,928)	(21,251)	(213,179)
Product development	(243)	(1,727)	(1,970)
Sales and marketing	—	(1,729)	(1,729)
General and administrative	(61,312)	(135,478)	(196,790)
Impairment Loss of equipment	(161,002)	—	(161,002)
Realized gain on exchange digital assets	42,836	—	42,836
Fair value change on digital assets	40,036	—	40,036
Segment profit (loss)	(163,289)	(154,464)	(317,753)
Reconciliation of segment profit (loss):			
Loss on disposal of subsidiaries	—	—	(282)
Gain on other investments	—	—	3,490
Interest expenses	—	—	(31,379)
Gain on fair value of derivative	—	—	23,171
Gain on debt relief of WoW	—	—	175,302
Other gain, net	—	—	3,174
Gain from discontinued operations	—	—	156,853
Net income	—	—	12,576

Year ended December 31, 2022:

	Cryptocurrency Mining RMB	Corporate RMB	Total RMB
		(in thousands)	
Revenue	97,857	7,072	104,929
Less:			
Cost of revenue	(139,192)	(13,115)	(152,307)
Product development	(320)	(2,113)	(2,433)
Sales and marketing	—	(3,496)	(3,496)
General and administrative	(100,376)	(259,559)	(359,935)
Impairment on advance and other assets	(23,675)	18	(23,657)
Impairment of cryptocurrency	(56,171)	(2,453)	(58,624)
Impairment Loss of equipment	(176,856)	(18)	(176,874)
Realized gain on exchange digital assets	10,865	—	10,865
Segment profit (loss)	(387,868)	(273,664)	(661,532)
Reconciliation of segment profit or loss:			
Loss on disposal of subsidiaries	—	—	(3,749)
Impairment on equity investment	—	—	(17,252)
Impairment on other investments	—	—	(29,958)
Interest expenses	—	—	(23,337)
Gain on fair value of derivative	—	—	37,250
Other gain, net	—	—	5,172
Loss from discontinued operations	—	—	(286,086)
Net loss	—	—	(979,492)

The following tables present segment assets information about the Group's reportable segments as of December 31, 2023 and 2024,

	Cryptocurrency Mining RMB	Corporate RMB	Total RMB
		(in thousands)	
Prepayments and other current asset as of December 31, 2023	18,006	10,905	28,911
Prepayments and other current asset as of December 31, 2024	19,251	6,796	26,047
Cryptocurrencies as of December 31, 2023	107,961	—	107,961
Cryptocurrencies as of December 31, 2024	206,130	—	206,130
Property, equipment and software, net as of December 31, 2023	83,690	10,639	94,329
Property, equipment and software, net as of December 31, 2024	20,702	1,227	21,929
Total assets as of December 31, 2023	284,824	78,901	363,725
Total assets as December 31, 1024	309,312	332,712	642,024

Depreciation and amortization expenses for the years ended December 31, 2024, 2023 and 2022 are as follows:

	Cryptocurrency Mining RMB	Corporate RMB	Total RMB
		(in thousands)	
Depreciation and amortization expenses for the year ended December 31, 2024	51,467	9,997	61,464
Depreciation and amortization for the year ended December 31, 2023	79,074	7,792	86,866
Depreciation and amortization for the year ended December 31, 2022	87,219	4,162	91,381

The following tables present the geographic information as of December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024:

The following table presents summarized information for revenue by geographic area for the years ended:

	December 31, 2022	December 31, 2023	December 31, 2024	
	RMB	RMB	RMB	USD (Note 3)
		(in thousands)		
Greater China	655	428	289	40
Asia/Eastern Europe	38,700	134,304	102,955	14,105
North America	65,574	39,313	8,470	1,160
Total	104,929	174,045	111,714	15,305

The following table presents summarized information for long-lived assets by geographic area as of:

	December 31, 2023	December 31, 2024	
	USD	RMB	USD (Note 3)
	(in thousands)		
Greater China	7,134	4,967	680
Asia/Eastern Europe	54,694	17,787	2,437
North America	39,370	3,458	474
Total	101,198	26,212	3,591

* Long - lived assets as of December 31, 2024 and 2023 included property, equipment and software, net and operating lease right - of - use assets, net.

34. SUBSEQUENT EVENTS

In February 2025, the Company issued and sold a one-year convertible note in a principal amount of US$3,300,000 to Streeterville for an aggregate consideration of US$2,995,000. The note carries an original issue discount of $300,000.00. The convertible note bears interest at a rate of 6.0% per year, computed on the basis of a 360-day year. Streeterville has the right, at any time after six months have elapsed since the purchase date until the outstanding balance has been paid in full, at its election, to convert all or any portion of the outstanding balance into ADSs of our company at an initial conversion price per ADS calculated as 90% of the lower of (a) the average of the closing trade prices during the five trading days immediately preceding the date of the conversion, and (b) the closing trade price on the trading day immediately preceding the date of the conversion. Beginning on the date that is six months from the note purchase date, Streeterville has the right, exercisable at any time in its sole and absolute discretion, to redeem any portion of the convertible note up to US$500,000 per calendar month. Payment of the redemption amount could be in cash or our ADSs.

In February, 2025, the Company signed a Joint Venture agreement with Chengdu Qing Cheng Network Science and Technology Co., Ltd. (“Qing Cheng”), a leading mobile game operation and distribution company focusing on serving gamers in China’s sinking market. The Company will hold a 51% stake and Qing Cheng will hold a 49% stake in the Joint Venture. The Joint Venture will become the Company’s flagship subsidiary to operate and distribute mobile games in the China’s sinking market. The company engaged two consultants to perform certain business advisory services to facilitate the negotiation among the Company and Qing Cheng on the terms and conditions of the share purchase agreement (the “SPA”), the Framework Agreement and the Joint Venture Agreement. The company granted the two consultants total of 1,358,100 restricted Class A ordinary shares (representing 4,527 ADS) of The9 Limited with all restrictions to be removed upon successful signing of the SPA, the Framework Agreement and the Joint Venture Agreement.

In March 2025, the Company signed a share purchase agreement with Bripheno Pte. Ltd., pursuant to which we sold and issued to the Bripheno (i) 117,000,000 Class A ordinary shares (equivalent to 390,000 ADSs) for a total consideration price of USD 4,960,800, at the price of USD 12.72 per ADS, and (ii) warrants to purchase 90,000,000 Class A Shares (equivalent to 300,000 ADSs) at an exercise price of US$60 per ADS. The warrants have an exercise period of two years. As of the date of this annual report, this transaction has been closed.

In March 2025, the Company signed a share purchase agreement with Elune Capital Limited (the "Elune Capital"), a company registered under the laws of British Virgin Islands, pursuant to which we sold and issued to the Elune Capital (i) 47,169,600 Class A ordinary shares (equivalent to 157,232 ADSs) for a consideration price of USD two (2) million, at the price of USD 12.72 per ADS, and (ii) warrants to purchase 141,508,800 Class A ordinary shares (equivalent to 471,696 ADSs) at an exercise price of USD 12.72 per ADS. The warrants have an exercise period of two years, and are subject to the following vesting conditions: one-half of the warrants can be exercised after Elune Capital or its business partner signs a strategic cooperation agreement with The9, and the other half of the warrants can be exercised after The9's GameFi platform is launched. Closing shall happen within sixty days after the signing. As the reporting date, this transaction has not been closed.

In March 2025, the Company signed a share purchase agreement with WEVISION PTE. LTD., a company registered under the laws of the Republic of Singapore, pursuant to which we sold and issued (i) 23,584,800 Class A ordinary shares (equivalent to 78,616 ADSs) for a consideration price of USD one (1) million, at the price of USD 12.72 per ADS, and (ii) warrants to purchase 70,754,400 Class A ordinary shares (equivalent to 235,848 ADSs) at an exercise price of USD 12.72 per ADS. The warrants have an exercise period of two years and are subject to the following vesting conditions: one-half of the warrants can be exercised after Elune Capital or its business partner signs a strategic cooperation agreement with The9, and the other half of the warrants can be exercised after The9's GameFi platform is launched. Closing shall happen within sixty days after the signing. As the reporting date, this transaction has not been closed.

In March 2025, our board of directors and board committees authorized and approved the issuance of an aggregate number of 450,000,000 Class A ordinary shares (equivalent to 1,500,000 ADSs) pursuant to the Option Plan. 450,000,000 Class A ordinary shares were issued in the form of restricted shares to our directors, officers and employees. All such Class A ordinary shares are subject to a three-year vesting schedule and lock-up restrictions i.e. 1/36 portion of the respective shares shall vest on the last day of each calendar month following the date of the grant.

In 2024, the Company signed a master loan agreement with an unrelated institutional investment firm, Equities First Holdings LLC, or Equities First, pursuant to which Equities First extends loans to the Company in several tranches, each of which is secured by the Company's Bitcoin as collateral for the maximum value of 300 Bitcoins. Each loan tranche has the same loan-to-value ratio of 65%. Each tranche of the loan (a) shall be payable back after one-year period, (b) has an annual interest rate of 3.25% on the respective principal amount, with such interest payable quarterly, and (c) is subject to 2% of the origination fee withheld from the principal amount of each tranche. Historically, the Company pledged 273 Bitcoins for six loan tranches to secure the repayment of the net loan proceeds of approximately 12 million USDT. In April, 2025, the Company repaid the loan under fist tranche, and the Company have received the 50 BTCs collateralized under the first tranche. As of the date of this report, 223 BTCs are collateralized under the loan Agreement.

In April 2025, the Company signed another master loan agreement with Equities First, with the substantially similar material commercial terms and conditions with the first loan agreement as of 2024 (the "Loan Agreement #2"). As of the date of this annual report, under the Loan Agreement #2, the Company pledged 50 Bitcoins for one loan tranche to secure the payment of the net loan proceeds of approximately 2.62 million USDT. As of the date of this annual report, the Company have pledged 323 Bitcoins in total.

PARENT COMPANY CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024

	2022 RMB	2023 RMB	2024 RMB (in thousands)	2024 US$
Operating expenses:				
General and administrative	(232,037)	(117,011)	(97,153)	(13,310)
Total operating expenses	(232,037)	(117,011)	(97,153)	(13,310)
Loss from operations	(232,037)	(117,011)	(97,153)	(13,310)
Impairment on equity investment	(15,253)	—	—	—
Gain (loss) on other investments	(28,736)	3,490	(7,160)	(981)
Gain (loss) on disposal of equity investee and available-for-sale investments	712	1,666	(8)	(1)
Non operating income	423	—	—	—
Gain from change in fair value of convertible feature derivative liability	37,250	23,171	45,037	6,170
Foreign currency exchange loss	(7,141)	(7,762)	(762)	(104)
Loss before income tax expense and share of loss in equity method investment	(244,782)	(96,446)	(60,046)	(8,226)
Income tax expense	—	—	—	—
Gain from discontinued operations, net	—	158,809	—	—
Equity in loss of subsidiaries and VIE	(730,077)	(42,360)	(13,378)	(1,833)
Net income (loss)	(974,859)	20,003	(73,424)	(10,059)
Other comprehensive income (loss), net of tax:				
Currency translation adjustments	—	—	—	—
Total comprehensive income (loss)	(974,859)	20,003	(73,424)	(10,059)

PARENT COMPANY CONDENSED BALANCE SHEETS

AS OF DECEMBER 31, 2023 AND 2024

	December 31, 2023 RMB	December 31, 2024 RMB	December 31, 2024 US$ (Note 3)
		(in thousands)	
ASSETS			
Current assets:			
Cash and cash equivalents	12,438	474	65
Prepayments and other current assets, net	—	1,278	175
Amounts due from intercompany	2,530,726	2,580,327	353,503
Total current assets	2,543,164	2,582,079	353,743
Investments	8,194	238,713	32,704
Investments in subsidiaries and VIE	(2,031,984)	(2,043,980)	(280,024)
Call option assets	—	15,843	2,171
Total assets	519,374	792,655	108,594
LIABILITIES			
Current liabilities:			
Amounts due to intercompany	215,005	301,066	41,247
Accrued expenses and other current liabilities	4,075	3,838	526
Interest payable	268	1,480	203
Convertible bonds	49,933	43,061	5,899
Warrants	28,605	—	—
Total current liabilities	297,886	349,445	47,875
Put option liabilities	—	1,923	263
Convertible bonds	16,746	—	—
Total Liabilities	314,632	351,368	48,138
Ordinary shares contingently redeemable	—	102,638	14,061
SHAREHOLDERS' EQUITY			
Class A ordinary shares	95,375	258,481	35,412
Class B ordinary shares	944	4,490	615
Additional paid-in capital	4,471,156	4,510,451	617,929
Statutory reserves	7,327	7,327	1,004
Accumulated other comprehensive loss	(11,742)	(11,890)	(1,629)
Accumulated deficit	(4,358,318)	(4,430,210)	(606,936)
Total shareholders' equity	204,742	338,649	46,395
Total liabilities, ordinary shares contingently redeemable, and shareholders' equity	519,374	792,655	108,594

PARENT COMPANY CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 2023 AND 2024

	2022 RMB	2023 RMB	2024 RMB (in thousands)	2024 US$ (Note 3)
Cash flows from operating activities:				
Net income (loss)	(974,859)	20,003	(73,424)	(10,059)
Adjustments for:				
Share-based compensation expense	202,346	70,760	44,675	6,120
Amortization of discount and interest on convertible notes	23,075	25,967	30,289	4,150
Foreign currency exchange (gain) loss	(166)	(785)	148	20
Cancellation of ordinary shares	(1,876)	—	—	—
Equity in loss (income) of subsidiaries and VIE	781,292	(117,204)	10,173	1,394
Gain from change in fair value of conversion feature derivative liability	(37,250)	(23,171)	(45,037)	(6,170)
Changes in operating assets and liabilities:				
Change in prepayments and other current assets	56	—	(1,278)	(175)
Change in amounts due from intercompany	49,338	(15,563)	36,461	4,995
Change in accrued expenses and other current liabilities	(46,565)	(11,952)	1,686	231
Increase/(Decrease) in interest payable	1,193	(2,432)	1,243	170
Net cash provided by (used in) operating activities	(3,416)	(54,377)	4,936	676
Cash flows from investing activities:				
Purchase of property, plant and equipment	(17,640)	—	—	—
Net cash used in investing activities	(17,640)	—	—	—
Cash flows from financing activities:				
Proceeds from the issuance of convertible note	33,704	85,349	—	—
Purchase of other investment	(22,277)	—	—	—
Proceeds from disposal of other investment	15,228	5,163	5	1
Repayments of convertible notes and interest-free loan	—	(42,903)	(34,390)	(4,711)
Proceeds from equity financing	—	—	17,783	2,436
Net cash provided by (used in) financing activities	26,655	47,609	(16,602)	(2,274)
Effect of foreign exchange rate changes on cash and cash equivalents	861	502	(298)	(41)
Net change in cash and cash equivalents	6,460	(6,266)	(11,964)	(1,639)
Cash and cash equivalents, beginning of year	12,244	18,704	12,438	1,704
Cash and cash equivalents, end of year	18,704	12,438	474	65
Supplement disclosure of cash flow information:				
Non-cash investing and financing activities:				
Share issued for repayments of convertible notes	57,290	24,822	18,161	2,488
Restricted ordinary shares issued in exchange for investments	—	—	230,478	31,575

Exhibit 2.4

Description of rights of each class of securities
registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act")

American Depositary Shares ("ADSs"), each representing 300 Class A ordinary shares of The9 Limited ("we," "our," "our company," or "us"), are listed and traded on the Nasdaq Capital Market and, in connection with this listing (but not for trading), the Class A ordinary shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of Class A ordinary shares and (ii) the holders of ADSs. Class A ordinary shares underlying the ADSs are held by The Bank of New York Mellon, as depositary, and holders of ADSs will not be treated as holders of the Class A ordinary shares.

Description of Class A Ordinary Shares

The following is a summary of material provisions of our currently effective Fourth Amended and Restated Memorandum and Articles of Association (the "Memorandum and Articles of Association"), as well as the Companies Act (As Revised) of the Cayman Islands (the "Companies Act") insofar as they relate to the material terms of our ordinary shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which is filed with the SEC on Form 6K filed on December 27, 2024.

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Each Class A ordinary share has US$0.01 par value. The number of Class A ordinary shares that have been issued as of the last day of the financial year ended December 31, 2024 is provided on the cover of our annual report on Form 20-F filed on April 28, 2025 (the "Form 20-F"). Our Class A ordinary shares are issued in registered form, and are issued when registered in our register of members. We are not permitted to issue bearer shares.

Preemptive Rights (Item 9.A.3 of Form 20-F)

Our shareholders do not have preemptive rights.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

We have a dual-class voting structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share shall be entitled to one vote, and each Class B ordinary share shall be entitled to one hundred votes, on all matters subject to a vote at general meetings of our company. Due to the super voting power of Class B ordinary share holder, the voting power of the Class A ordinary shares may be materially limited.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Class A Ordinary Shares (Item 10.B.3 of Form 20-F)

Classes of Ordinary Shares

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights.

Conversion

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of Class B ordinary shares by a holder thereof to any person who is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the same number of Class A ordinary shares.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights

Holders of our Class A ordinary shares and our Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by our shareholders at any general meeting of our company. Each Class A ordinary share shall be entitled to one vote, and each Class B ordinary share shall be entitled to one hundred votes, on all matters subject to a vote at general meetings of our company. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by one or more shareholders together holding not less than ten percent of the paid up voting share capital, present in person or by proxy.

A quorum required for a meeting of shareholders consists of holders of not less than one-third of all issued and outstanding shares entitled to vote. Our company may hold an annual general meeting but shall not (unless required by the Companies Act) be obliged to hold an annual general meeting. Annual general meetings and extraordinary general meetings may be convened by our board of directors on its own initiative. In addition, our board of directors is required to convene extraordinary general meetings upon any requisition by shareholders holding in aggregate not less than 33% of our voting share capital. Advance notice of at least seven business days is required for the convening of our annual general meeting and extraordinary general meetings.

An ordinary resolution to be passed by our shareholders requires the affirmative vote of a simple majority of the votes attaching to our ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to our ordinary shares cast in a general meeting. A special resolution is required for important matters such as a change of name, a reduction of our share capital, effecting a statutory merger, or amending our Memorandum and Articles of Association. Holders of our ordinary shares may effect certain changes by ordinary resolution, including an increase of our authorized share capital, the consolidation and division of all or any of our share capital into shares of a larger amount than our existing share capital, and the cancellation of any authorized but unissued shares.

Transfer of Shares

Subject to the restrictions of our Memorandum and Articles of Association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board. The transferor shall be deemed

to remain the holder of the shares until the name of the transferee is entered in the register of members in respect thereof.

Liquidation

On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares

Our board of directors may from time to time make calls upon shareholders for any moneys unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of such shares, on such terms and in such manner as may be determined, before the issuance of such shares, by our board of directors. Our company may also repurchase any of our shares (including any redeemable shares) provided that the manner of such purchase has been approved by ordinary resolution of our shareholders or the manner of such purchase is in accordance with our Memorandum and Articles of Association. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Requirements to Change the Rights of Holders of Class A Ordinary Shares (Item 10.B.4 of Form 20-F)

Variations of Rights of Shares

If at any time our share capital is divided into different classes of shares, the rights attaching to any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may, subject to our Memorandum and Articles of Association, be varied or abrogated either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a resolution passed by at least a majority of the holders of the shares of that class present in person or by proxy at a separate general meeting of the holders of the shares of that class.

Limitations on the Rights to Own Class A Ordinary Shares (Item 10.B.6 of Form 20-F)

There are no limitations under the laws of the Cayman Islands or under the Memorandum and Articles of Association that limit the right of nonresident or foreign owners to hold or vote ordinary shares.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

Anti-Takeover Provisions

Some provisions of our Memorandum and Articles of Association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders;

- create a classified board of directors pursuant to which our directors are elected for staggered terms, which means that shareholders can only elect, or remove, a limited number of directors in any given year; and

- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Memorandum and Articles of Association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Ownership Threshold (Item 10.B.8 of Form 20-F)

There are no provisions under Cayman Islands law applicable to the Company, or under the Memorandum and Articles of Association, that require the Company to disclose shareholder ownership above any particular ownership threshold.

Differences between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

The Companies Act of the Cayman Islands is derived, to a large extent, from the older Companies Acts of England, but does not follow recent English law statutory enactments, and accordingly there are significant differences between the Companies Act of the Cayman Islands and the current Companies Act of England. In addition, the Companies Act of the Cayman Islands differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act applicable to us and the comparable provisions of the laws applicable to companies incorporated in the State of Delaware and their shareholders.

Mergers and Similar Arrangements

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a "consolidation" means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together

with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Save in certain limited circumstances, a shareholder of a Cayman Islands constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provided the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition to the statutory provisions relating to mergers and considerations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by (a) 75% in value of shareholders; or (b) a majority in number representing 75% in value of creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the Grand Court of the Cayman Islands can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted, in accordance with the foregoing statutory provisions, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders’Suits

In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule, a derivative action may ordinarily not be brought by a minority shareholder. However, based on English authority, which would in all likelihood be of persuasive

authority in the Cayman Islands, the Cayman Islands courts can be expected (and have had occasion) to follow and apply the common law principles (namely the rule in Foss v. Harbottle and the exceptions thereto) which permit a minority shareholder to commence a class action against, or derivative actions in the name of, our company to challenge:

- an act which is ultra vires or illegal and is therefore incapable of ratification by the shareholders,
- an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and
- an act which requires a resolution with a qualified (or special) majority (i.e. more than a simple majority) which has not been obtained.

Indemnification of Directors and Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Memorandum and Articles of Association provides that we shall indemnify each of our directors and officers against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such director or officer in connection with the execution or discharge of his duties, powers, authorities or discretions as a director or officer, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our Memorandum and Articles of Association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore he owes the following duties to the company—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. The Companies Act and our Memorandum and Articles of Association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Memorandum and Articles of Association allow our shareholders holding not less than 33% of the share capital of our company carrying the right of voting at general meetings of our company to requisition a shareholder's meeting, in which case our directors are obligated to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our Memorandum and Articles of Association do not provide our shareholders other right to put proposal before annual general meetings or extraordinary general meetings not called by such shareholders. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of directors of our company, it is not a concept that is accepted as a common practice in the Cayman Islands, and our company has made no provisions in our Memorandum and Articles of Association to allow cumulative voting for such elections. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our Memorandum and Articles of Association, subject to certain restrictions as contained therein, directors may be removed with or without cause, by an ordinary resolution of our shareholders. A director shall hold office until the expiration of his or her term or his or her successor shall have been elected and qualified, or until his or her office is otherwise vacated. In addition, a director's office shall be vacated if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind or dies; (iii) resigns his office by notice in writing to the company; (iv) without special leave of absence from our board of directors, is absent from meetings of our board for six consecutive months and the board resolves that his office be vacated; or (v) is removed from office pursuant to any other provisions of our Memorandum and Articles of Association.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, the directors of the Company are required to comply with the fiduciary duties which they owe to the Company under Cayman Islands law, including the duty to ensure that, in their opinion, any such transactions entered into are bona fide in the best interests of the Company, and are entered into for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our Memorandum and Articles of Association, if at any time our share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to our Memorandum and Articles of Association, be varied or abrogated with the consent in writing of the holders of a majority of the issued shares of that class or with the sanction of a resolution passed by at least a majority of the holders of the shares of that class present in person or by proxy at a separate general meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our Memorandum and Articles of Association, our Memorandum and Articles of Association may only be amended with a special resolution of our shareholders.

Rights of Non-resident or Foreign Shareholders

There are no limitations imposed by our Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our Memorandum and Articles of Association which require our company to disclose shareholder ownership above any particular ownership threshold.

Changes in Capital (Item 10.B.10 of Form 20-F)

Our company may from time to time by ordinary resolution of our shareholders increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe.

Our company may by ordinary resolution of our shareholders:

- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

Our company may by special resolution of our shareholders reduce our share capital and any capital redemption reserve in any manner authorised by law.

Debt Securities (Item 12.A of Form 20-F)

Not applicable.

Warrants and Rights (Item 12.B of Form 20-F)

Not applicable.

Other Securities (Item 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

The Bank of New York Mellon, as depositary, registers and delivers American Depositary Shares, also referred to as ADSs. Each ADS represents 300 Class A ordinary shares deposited with The Hongkong and Shanghai Banking Corporation Limited, as custodian for the depositary in Hong Kong. Each ADS will also represent any other securities, cash or other property which may be held by the depositary. The deposited shares together with any other securities, cash or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs are administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having uncertificated ADSs registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution that is a direct or indirect participant in The Depository Trust Company, also known as DTC. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Registered holders of uncertificated ADSs will receive statements from the depositary confirming their holdings.

As an ADS holder, we do not treat ADSs holder as one of our shareholders and an ADSs holder do not have shareholder rights. The laws of Cayman Islands govern shareholder rights. The depositary is the holder of the Class A ordinary shares underlying the ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary, ADS holders and all other persons indirectly holding or beneficially owning ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The following is a summary of what we believe to be the material terms of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the form of deposit agreement which was filed as exhibit 1 to Post-Effective Amendment No. 3 to Form F-6 (File no. 333-156635) filed on June 21, 2019. The form of ADR is incorporated in the form of deposit agreement.

Share Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

Cash. The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the distribution.*

Shares. The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares (or ADSs representing those shares) sufficient to pay its fees and expenses in connection with that distribution.

Rights to purchase additional shares. If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may (i) exercise those rights on behalf of ADS holders, (ii) distribute those rights to ADS holders or (iii) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depositary does not do any of those things, it will allow the rights to lapse. *In that case, you will receive no value for them.* The depositary will exercise or distribute rights only if we ask it to and provide satisfactory assurances to the depositary that it is legal to do so. If the depositary will exercise rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of shares, new ADSs representing the new shares, to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depositary. U.S. securities laws may restrict the ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

Other Distributions. The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. *This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.*

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

You may surrender your ADSs to the depositary for the purpose of withdrawal. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its office, if feasible. However, the depositary is not required to accept surrender of ADSs to the extent it would require delivery of a fraction of a deposited share or other security. The depositary may charge you a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

How do you vote?

ADS holders may instruct the depositary how to vote the number of deposited shares their ADSs represent. If we request the depositary to solicit your voting instructions (and we are not required to do so), the depositary will notify you of a shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our Memorandum and Articles of Association, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. If we do not request the depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the depositary may try to vote as you instruct, but it is not required to do so.

Except by instructing the depositary as described above, you won't be able to exercise voting rights unless you surrender your ADSs and withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares. In any event, the depositary will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed or as described in the following sentences. If we timely asked the depositary to solicit your instructions but the depositary does not receive voting instructions from you by the specified date and we confirm to the depositary that

- we wish to receive a discretionary proxy;
- as of the instruction cutoff date we reasonably do not know of any substantial shareholder opposition to the particular question; and
- the particular question would not materially adverse to the interests of our shareholders,

then the depositary will consider you to have authorized and directed it to give a discretionary proxy to a person designated by us to vote the number of deposited securities represented by your ADSs as to that question.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise voting rights and there may be nothing you can do if your shares are not voted as you requested.*

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your American Depositary Shares to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities

The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do by an ADS holder surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory for the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a sub-division, combination or other reclassification, or any merger, consolidation, recapitalization or reorganization affecting the issuer of deposited securities in which the depositary receives new securities in exchange for or in lieu of the old deposited securities, the depositary will hold those replacement securities as deposited securities under the deposit agreement. However, if the depositary decides it would not be lawful and practical to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depositary will continue to hold the replacement securities, the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

If there are no deposited securities underlying ADSs, including if the deposited securities are cancelled, or if the deposited securities underlying ADSs have become apparently worthless, the depositary may call for surrender or of those ADSs or cancel those ADSs upon notice to the ADS holders.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended*.

How may the deposit agreement be terminated?

The depositary will initiate termination of the deposit agreement if we instruct it to do so. The depositary may initiate termination of the deposit agreement if

- 90 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment;
- we delist our shares from an exchange in the United States on which they were listed and do not list the ADSs on another exchange in the United States or make arrangements for trading of ADSs on the U.S. over-the-counter market;
- we delist our shares from an exchange outside the United States on which they were listed and do not list the shares on another exchange outside the United States;
- the depositary has reason to believe the ADSs have become, or will become, ineligible for registration on Form F-6 under the Securities Act of 1933;
- we appear to be insolvent or enter insolvency proceedings
- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

If the deposit agreement will terminate, the depositary will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depositary may sell the deposited securities. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depositary will sell as soon as practicable after the termination date.

After the termination date and before the depositary sells, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depositary may refuse to accept a surrender for the purpose of withdrawing deposited securities or reverse previously accepted surrenders of that kind if it would interfere with the selling process. The depositary may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depositary will continue to collect distributions on deposited securities, but, after the termination date, the depositary is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADSs holder (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith, and the depositary will not be a fiduciary or have any fiduciary duty to holders of ADSs;
- are not liable if we are or it is prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- the depositary has no duty to make any determination or provide any information as to our tax status, or any liability for any tax consequences that may be incurred by ADS holders as a result of owning or holding ADSs or be liable for the inability or failure of an ADS holder to obtain the benefit of a foreign tax credit, reduced rate of withholding or refund of amounts withheld in respect of tax or any other tax benefit.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the depositary will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

Your Right to Receive the Shares Underlying your ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares;

- when you owe money to pay fees, taxes and similar charges; or

- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

Shareholder communications; inspection of register of holders of ADSs

The depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Jury Trial Waiver

The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws. If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law.

You will not, by agreeing to the terms of the deposit agreement, be deemed to have waived our or the depositary's compliance with U.S. federal securities laws or the rules and regulations promulgated thereunder.

Arbitration Provision

The deposit agreement gives the depositary or an ADS holder asserting a claim against us the right to require us to submit that claim to binding arbitration in New York under the International Arbitration Rules of the International Centre for Dispute Resolution, including any securities law claim. However, a claimant could also elect not to submit its claim to arbitration and instead bring its claim in any court having jurisdiction of it. The deposit agreement does not give us the right to require anyone to submit any claim to arbitration.

Exhibit 4.28

Number:_____

MEMORANDUM OF UNDERSTANDING

Party A: NBTC Limited

Party B: Binance Capital Management Co., Ltd

Signing date: July 7, 2021

Party A: NBTC Limited

Party B: Binance Capital Management Co., Ltd

Party A and Party B are referred to individually as “one party” and collectively as “both parties”.

PREAMBLE

(A)

The9 Limited (“The9”) is an Internet enterprise located in China. The company was listed on NASDAQ in 2004 (stock code: NCTY) and is now actively becoming a high-tech diversified Internet company.

At present, The9 mainly focuses on blockchain and digital currency related businesses, with the goal of building and operating a digital currency mining machine group that accounts for 10% of Bitcoin and Ethereum’s global computing power, while continuing to promote other blockchain and digital currency related businesses.

In 2021, The9 established wholly-owned subsidiaries NBTC Limited and Niulian Technology (Shaoxing) Co., Ltd., focusing on digital currency related businesses. At the same time, The9 has acquired a computing power internet platform and are engaged in cloud computing power digital currency mining and cloud computing power SaaS business for the global market.

(B) Binance is the world’s largest blockchain asset trading platform, and its subsidiary BinancePool is a comprehensive service platform dedicated to improving miner profits. It provides mining services to users in the two major fields of POW and POS. At the same time, as an important component of the Binance ecosystem, the Binance mining pool fully leverages its advantages in technology, capital, trading business, industry resources, etc., providing users with the ultimate mining experience and a one-stop service of “mining trading”.

(C) NBTC Limited and Binance Mining Pool Computing Power Cooperation (the “Project”)

(D) The purpose of this memorandum is to provide a non exclusive cooperation framework and promote cooperation among all parties in this project.

(D) Both parties hope to record the intention agreement reached before the execution of this project through this memorandum.

Therefore, by multiple consultations, both parties have reached the following agreement regarding the cooperation of this Project:

1. **Party A promises that**

(a) from June 16, 2021, 50% of the total computing power of Party A's BTC and ETH (including future new computing power) shall be connected to Party B's mine pool.

(b) The time for BTC computing power to access Binance mine pool shall be ≥ 3 years, and the time period shall be calculated from May 20, 2021

(c) After the expiration of the above-mentioned article (b), Party A shall extend the cooperation period as appropriate, and the extension shall be subject to ≥ 1 year.

2. **Party B promises that**

2.1 Bitcoin Mining Services Part

(a) provides bitcoin mining service for Party A, adopts FPPS revenue distribution mode, and the revenue calculation formula is: theoretical revenue per T * computing power * (1 + transaction fee) * (1- Platform service fee). Party A's BTC collection address is [REDACTED].

b) Based on the actual bitcoin arithmetic value achieved by Party A's mining machine connected to Party B's mining pool operation, the daily revenue will be issued, and Party A can refer to the FPPS theoretical revenue on the block browser for revenue verification. If Party A's actual mining revenue is lower than the FPPS theoretical revenue due to Party B's mining pool, Party B's mining pool will be topped up by FPPS theoretical earnings.

c) When Party A uses Party B's service, from 06/16/2021 to 04/19/2022, BTC service charge is 3%, calculated once at the end of each month. Before the expiration of this agreement, Party A guarantees to pay Party B the total handling fee of not less than 1000ph / s * 3% * 10 months. The monthly payable rate is calculated based on the average income per T in the current month.

d) In addition to the constraints of clause (c), the mining pool rate will be agreed by both parties according to market conditions.

e) Daily payment of Party A's earnings will be made from 8:00 am to 17:00 pm Beijing Time.

d) Provide Party A with technical support for BTC mining, including but not limited to: mining pool connection, mining farm support, mining machine support, etc.

e) Provide Party A with 24*7 customer service support for mining pools.

2.2 Other cooperation parts

(a) The mining or financial service products launched by Party B's mining pool in the future shall be prioritized for cooperation with Party A.

3. **Actions to be taken by both parties after signing this memorandum**

3.1 Both parties shall, in accordance with the principle of honesty and trustworthiness, carry out the matters promised by both parties within three (3) days after the signing of this memorandum.

4. **Confidential Information**

4.1 Prior to the signing of this memorandum and during the validity period of this memorandum, one party (hereinafter referred to as the "Disclosing Party") has or may from time to time orally or in writing disclose to the other party (hereinafter referred to as the "Receiving Party") its commercial, marketing, technical, scientific or other information, which was designated as confidential information (or similar labeling) at the time of disclosure, or disclosed in a confidential manner, or in the reasonable commercial judgment of both parties as confidential information (hereinafter referred to as "Confidential Information"). After the signing of this memorandum, the recipient must:

(a) Maintain confidentiality of confidential information during the validity period of this memorandum and for a period of 2 years after its termination;

(b) Not to use confidential information for any other purpose except for the purpose specified in this memorandum;

(c) Except for employees (or their affiliated institutions, lawyers, etc.) of the party who are necessary to carefully keep confidential information in order to fulfill their duties

Except for employees of accountants or other consultants, they shall not disclose to anyone else and shall sign a written confidentiality agreement,

The strictness of confidentiality obligations shall not be lower than the provisions of Article 4.1 (a).

4.2 The provisions of Article 4.1 above do not apply to the following information:

(a) The recipient has written records that prove their mastery prior to disclosure to the disclosing party;

(b) It is not due to the recipient's violation of this memorandum that they have entered or will enter the public domain in the future; or

(c) The recipient obtained the information from a third party who has no confidentiality obligation.

After the expiration or termination of this memorandum, or upon the request of the disclosing party at any time the recipient shall (1) return (or upon the request of the other party destroy) all materials containing the other party's confidential information (including copies thereof), and (2) provide written assurance to the other party within ten (10) days of such request that the aforementioned materials have

been returned or destroyed.

5. **The content of this memorandum is confidential**

Unless it is reasonably necessary according to legal provisions, neither party shall make any public statement or make any disclosure regarding this memorandum without the prior written consent of the other party.

6. **Intellectual Property Right**

Both parties confirm that neither party has obtained any intellectual property rights (including but not limited to copyrights, trademarks, trade secrets, proprietary technology, etc.) or rights against such intellectual property rights from the other party as a result of this memorandum.

7. **Notice**

7.1 (hereinafter referred to as "Notice") shall be in writing and delivered to the notified party at the following mailing address, number, or email address, with the names of the following contacts indicated, in order to constitute a valid notice.

Party A: NBTC Limited

[REDACTED]

Party B: Binance Capital Management Co., Ltd

[REDACTED]

7.2 The delivery time of the various communication methods specified in the preceding paragraph shall be determined in the following ways:

(a) If a notice presented in person is deemed delivered when the recipient signs for it;

(b) Notices that can be sent by mail should be sent by registered express or express delivery, and registered express should be sent before delivery

On the seventh (7th) day thereafter, it shall be deemed that the notice has been delivered to the notified party, and express delivery shall be deemed to have been delivered when the notified party signs for it;

(c) Notification made by email shall be deemed delivered when the email system shows that the notified person has actually received it.

7.3 If either party's above communication address or notification method changes (hereinafter referred to as the "changing party"), the changing party shall notify the other parties within seven (7) days after

the change occurs. If the changing party fails to notify in a timely manner as agreed, the changing party shall bear the losses incurred as a result.

8. **Amendment to this memorandum**

Any modifications to this memorandum must be agreed upon in writing by both parties.

9. **The binding terms of this memorandum**

Both parties confirm that, except for Article 1, Article 2, Articles 4 to 15 (including Articles 4 and 15) which are binding on both parties, this memorandum is a binding or enforceable agreement, and both parties are obligated to perform any actions set forth in this memorandum, regardless of whether such actions are explicitly stipulated or intended to be performed in this memorandum.

10. **Transfer of this memorandum**

Without the prior written consent of the other party, neither party may transfer this memorandum.

11. **Each party shall bear their own costs**

Unless otherwise expressly agreed in this memorandum, either party shall bear the expenses incurred in engaging in the activities specified in this memorandum.

12. **Effectiveness and Termination of this Memorandum**

This memorandum shall take effect after being signed or stamped by both parties and shall terminate on the earliest of the following dates:

a) Both parties replace this memorandum with a further agreement on the subject matter of the project contract or this memorandum;

b) Either party shall terminate this memorandum by giving written notice to the other party three months in advance;

(c) 365 days after signed of this memorandum.

Articles 4, 5, 6, 7, 11, 13, 14, and 15 shall remain effective after the termination of this memorandum.

13. **Applicable Law and Arbitration**

This memorandum is governed by the laws of the People's Republic of China (excluding the laws of Hong Kong, Macau, and Taiwan). Any disputes arising from this memorandum between the two parties shall be resolved through friendly consultation within ten (10) days; If the dispute cannot be resolved in a mutually acceptable manner within fifteen (15) days after the first negotiation, either party shall have the right to submit the dispute, controversy or claim to the Shanghai International Arbitration Commission (hereinafter referred to as the "Arbitration Commission") for arbitration in accordance with

the then effective arbitration rules of the Arbitration Commission. The arbitral tribunal shall consist of three (3) arbitrators appointed in accordance with the arbitration rules. The applicant shall appoint one (1) arbitrator, the respondent shall appoint one (1) arbitrator, and the third (3) arbitrator shall be appointed through consultation between the first two arbitrators or by the arbitration commission. The arbitration language shall be Chinese. The arbitration award is final and binding on both parties.

14. **Goodwill protection**

During the validity period of this memorandum or for a period of five years after its termination, whether or not based on specific reasons, both parties agree not to engage in any intentional or reasonably foreseeable behavior that directly or indirectly harms the reputation and brand value of the other party and/or causes adverse public opinion to the other party. If one party has committed or is about to commit a violation of the provisions of this clause, it will cause damage to the goodwill and brand value of the other party that cannot be reasonably or appropriately compensated through litigation, as well as immediate damage. Based on this, both the party and the other party have the right to claim specific performance, injunctions, or other solutions in the event of a violation of the provisions of this clause that has occurred or is about to occur, without submitting the guarantee deposit.

15. **Anti persuasion clause**

During the validity period of this memorandum or for a period of two years after its termination, whether or not for specific reasons, neither party shall directly or indirectly (i) induce or attempt to induce the other party or any employee or independent contractor of a third party authorized by the other party to terminate the employment relationship with the other party or a third party authorized by the other party, (ii) obstruct or interfere in any way with the relationship between the other party or a third party authorized by the other party and any employee or independent contractor, (iii) hire or substantially employ any employee or independent contractor of the other party or a third party authorized by the other party in any other way.

This is to certify that the authorized representatives of both parties have signed this memorandum on the date stated at the beginning of the document.

(This page has no main text and is a signature page)

Name of Party A: NBTC Limited
/s/ NBTC Limited

Name of Party B: Binance Capital Management Co., Ltd
/s/ Binance Capital Management Co., Ltd

Date: July 7, 2021

Exhibit 4.29

COOPERATION AGREEMENT No. 22

WHEN COMBINING THE CAPACITIES OF THE HARDWARE AND SOFTWARE COMPLEX FOR DIGITAL MINING OF DIGITAL MINERS AND DISTRIBUTING DIGITAL ASSETS OBTAINED AS A RESULT OF THE MINERS' ACTIVITIES

from "25" August 2023

BETWEEN

Private Company LGHSTRS Ltd.

(Side 1)

and

Limited Liability Partnership "Pool4Miners"

(Side 2)

This Agreement on cooperation in combining the capacities of the hardware and software complex for digital mining of digital miners and the distribution of digital assets obtained as a result of the activities of miners (hereinafter referred to as the "Agreement") was concluded on August 25, 2023, between:

(1) Private Company LGHSTRS Ltd., a company incorporated in accordance with the laws of the AIFC (BIN211140900363) and registered at the address: Republic of Kazakhstan, Astana, Dostyk Street, Building 5, n.p. 199, 205H9M1 (hereinafter referred to as "Party 1"), represented by Director Zhao Jingwei, acting on the basis of the charter, on the one hand, and

(2) Limited Liability Partnership "Pool4Miners", a company established in accordance with the laws of the Republic of Kazakhstan (BIN 221240021097), and registered at the address: Republic of Kazakhstan, Ekibastuz, Accounting Quarter 54, Building 19 (hereinafter referred to as "Party 2"), represented by Director Imangaliev Nurtai Yesengazyuly, acting on the basis of the charter, on the other hand.

PREAMBLE

WHEREAS:

The Parties wish to document their joint relationship on the unification of the capacities of the hardware and software complex for digital mining of digital miners and the distribution of digital assets. as well as certain other aspects of the proposed strategic cooperation between the Parties on the terms and conditions set forth in this Agreement.

The Parties therefore agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

The following terms shall have the following meanings in this Agreement:

IAC means the AIFC International Arbitration Centre.

AIFC stands for Astana International Financial Centre.

IAC Arbitration and Mediation Rules means the IAC Arbitration and Mediation Rules approved by the IAC Chairman on 1 January 2018.

Parties means Party 1 and Party 2 jointly, and Party means any Party individually.

Digital assets mean property created in electronic digital form with the assignment of a digital code, including with the use of cryptography and computer calculations, registered and provided with immutability of information based on distributed data platform technology.

Server equipment is the equipment of Party 2, on which the capacities of the hardware and software complex for digital mining of digital miners and the distribution of digital assets obtained as a result of the miners' activities are combined.

Mining equipment is the equipment of Party 1, on which digital operations aimed at maintaining the consensus of the blockchain are carried out.

PPS Calculation Method PPS (Pay Per Share) calculation method is used to calculate the amount of Digital Assets generated as a result of the Cooperation, where the amount of Digital Assets is calculated in accordance with the computing power received by the Server Equipment, proportional to the total computing power of the mining pool, regardless of the number of blocks actually found. This calculation method does not include the transaction validation reward.

PPLNS calculation method PPLNS (Pay Per Last N Shares) calculation method is used for calculation of the number of Digital Assets created as a result of the Cooperation activities, in terms of the reward for validating transactions in blocks actually found by the pool, where the number of Digital Assets is calculated according to the parameters of the blocks actually found by the mining pool.

An interim act shall mean a document drawn up by the Parties in an official standard form, confirming the scope of the Cooperation activities or the complete completion of the Cooperation activities in the reporting period in accordance with the provisions of this Agreement. An interim act shall be drawn up in electronic form, and, upon request of the Party, also in the original.

Cooperation means joint activities of the Parties on the basis of this Agreement.

1.2 Interpretation

Unless the context otherwise requires, in this Agreement:

(a) a reference to a document implies a reference to the document with all appendices, amendments and additions and/or the adoption of such a document in a new edition;

(b) a reference to an amendment means any alteration, addition. novation, extension or restatement, and a reference to amended shall be construed accordingly;

(c) references to assets include any property, income or rights;

(d) a reference to a clause or Appendix means a reference to a clause or Appendix of this Agreement;

(e) a reference to a person means a sole proprietor and/or a legal entity;

(f) including shall be construed as including without limitation, and includes and similar expressions shall be construed accordingly; and

(g) words in the singular include the plural and vice versa.

2. SUBJECT OF THE CONTRACT

2.1 For the purpose of joint mining of digital assets, Party 1 provides Party 2 with the processing capacity of its Mining equipment (Party 1's contribution to the Cooperation), and Party 2 provides Party 1 with the ability to connect the Mining equipment to the Server equipment for mining Digital assets (Party 2's contribution to the Cooperation). In this regard, the Parties will distribute the created Digital assets in accordance with the proportion under the terms of this Agreement.

2.2 For the avoidance of doubt, this Agreement does not allow one Party to act on behalf of the other. The Agreement does not provide for the transfer of rights to property belonging to it from one Party to the other, as well as any rights to joint use of property. The provisions of civil legislation on common shared ownership do not apply to the property of the Parties.

3. CONDUCT OF COOPERATION BUSINESS

3.1 The management of the affairs of Cooperation under this Agreement and the management of joint activities shall be entrusted to Party 2.

3.2 If necessary, Party 2 has the right to request that Party 1 provide a power of attorney to conduct the affairs of the Cooperation. General expenses for joint activities shall be borne by Party 2.

4. DISTRIBUTION OF DIGITAL ASSETS

4.1 Party 1 receives [97.25]% of the Digital Assets created as a result of activities under this Agreement in terms of the block reward and in terms of the reward for validating transactions in blocks actually found by the pool. Party 2 receives [2.75]% of the Digital Assets created as a result of activities under this Agreement in terms of the block reward and in terms of the reward for validating transactions in blocks actually found by the pool.

4.2 Distribution of digital assets under this Agreement will be carried out from 10:00 to 18:00 of the next day or the day after the next day, Astana, Republic of Kazakhstan time.

4.3 In accordance with paragraph 2 of Article 2 of the Civil Code of the Republic of Kazakhstan, Party 1 of its own free will and in its interests agrees that if an objection to the procedure for the distribution of digital assets is not filed with Party 2 within 3 (three) days from the date of distribution of digital assets (at the end of each working day), then Party 1 loses the right to file claims and objections to Party 2 regarding the procedure for the distribution of digital assets.

4.4 Party 2, no later than the [5th] day of each month following the reporting month, shall provide Party 1 with an Interim Act in the form (in accordance with Appendix 1) with an attached breakdown of the number of distributed digital assets (DDA) and the total value of DDA, taking into account the rate determined by the authorized state body in the reporting period.

Party 1 is obliged, within 3 (three) business days from the moment of receiving the Interim Act from Party 2, to send Party 2 the signed Interim Act, or to file objections with a full list of comments and necessary revisions.

In the event that Party 1 files objections to the Interim Act, the Parties shall draw up a bilateral act, which shall indicate all deficiencies and stipulate measures to eliminate them.

If, upon expiration of the declaration period, Party 1 does not file an objection, the Interim Act shall be deemed to have been accepted by Party 1.

4.5 Party 2 receives its share in the form of digital assets (BTC). For tax purposes, the current value of BTC is calculated in tenge equivalent, at the rate determined by the authorized state body in the reporting period.

4.6 Each Party shall pay taxes and other mandatory payments promptly and in full.

5. RIGHTS AND RESPONSIBILITIES OF THE PARTIES

5.1 Party 1 has the right:

5.1.1. receive a share in the amount established by this Agreement;

5.1.2. receive assistance from Party 2 in resolving any deficiencies related to the transfer of the processing capacity of the Mining Equipment, as well as on any issues arising in connection with the activities of the Cooperation;

5.1.3. to terminate the Agreement in the event of a material breach by Party 2 of the terms of the Agreement, without limiting other grounds provided for by the Agreement and applicable law. In this case, Party 1 is obliged to notify Party 2 in writing of the termination/termination of the agreement 30 (thirty) calendar days prior to the date of termination;

5.1.4. in the course of the Cooperation, require Party 2 to provide any documents confirming the compliance of the Cooperation activities with the requirements of the current legislation of the Republic of Kazakhstan, as well as the terms of this Agreement. For the avoidance of doubt, Party 1 does not have the right to receive information on the financial and operational activities of Party 2, which Party 2 conducts not within the framework of the Cooperation;

5.1.5. in the event of a temporary suspension of the activities of the Cooperation due to circumstances beyond the control of Party 1, Party 1 has the right to demand reimbursement of documented expenses incurred by Party 1 during the specified period;

5.1.6. if during the activity of the Cooperation it becomes obvious that its activity is being conducted improperly, Party 1 has the right to set a reasonable period for eliminating the deficiencies and, if this requirement is not met within the appointed period, to terminate the Agreement;

5.1.7. suspend the activities of the Cooperation if Party 1 receives notification from authorized organizations about a shortage of electric power in the region where the Mining Equipment is located and faces restrictions on the purchase of electric power through centralized trading. Party 1 must notify Party 2 of the suspension of the activities of the Cooperation within the day when Party 1 learned of the circumstances for the suspension. Party 1 suspends the activities of the Cooperation in accordance with this paragraph for the period necessary for the Mining Equipment to continue receiving electric power.

5.2 Party 1 is obliged to:

5.2.1. provide all processing power of the Mining Equipment for connection to the Server Equipment;

5.2.2. independently maintain the Mining Equipment in good working order and bear all costs for the maintenance and operation of the Mining Equipment;

5.2.3. in the event of discovery of hidden deficiencies after each working day of the Cooperation, notify Party 2 thereof immediately, but no later than three days. Otherwise, such comments shall be considered withdrawn;

5.2.4. within 3 (three) working days, notify Party 2 in writing of the termination of the license, the decision of the authorized body (licensor) to suspend or revoke the license, as well as any technical problems related to mining activities;

5.2.5. link your accounts to an electronic wallet via the pool interface to receive payments after concluding this Agreement;

5.2.6. provide the hashrate generated by the Mining Equipment in accordance with clause 5.3.3. of the Agreement.

5.3 Party 2. has the right:

5.3.1. require provision of hashrate generated by Mining equipment;

5.3.2. propose to Party 1 to change the distribution of shares of the Parties in the Cooperation in the event of an increase in the justified costs of the Cooperation, including, but not limited to, development of new software, deployment of new servers, registration of new domain names, general growth of costs and tariffs due to the market, etc. To change the distribution of shares in the Cooperation, Party 2 shall send Party 1 an electronic notification of the intention to change the distribution of shares and shall indicate the proposed new distribution of shares. If Party 2 does not receive consent from Party 1 to change the distribution of shares within 2 (two) business days from sending the electronic notification, Party 2 shall have the right to unilaterally terminate the Agreement. If Party 1 agrees to change the shares, the Parties shall have the right to enter into an additional agreement to the Agreement.

5.3.3. If, during the course of the Cooperation, the volume of the hashrate of Party 1 accepted by Party 2 according to the data displayed in the personal account of Party 1 on the portal

www.btcpool.kz does not reach the average daily value of [82.88] PH/s within 15 (fifteen) business days after signing the Agreement or during any 3 (three) subsequent calendar days during the term of the Agreement, Party 2 has the right to terminate the Agreement unilaterally without any penalties, distributing digital assets in accordance with the size of the share, sending Party 1 shall receive an official letter to notify of termination or change the distribution of shares in accordance with clause 5.3.2 of the Agreement.

5.3.4. unilaterally terminate the Agreement or suspend the activities of the Cooperation without any liability to Party 1 in the following cases: (a) Party 1 commits a breach of any of the terms of this Agreement; (b) Party 1 intends to transfer any of its rights or obligations under this Agreement without obtaining the prior written consent of Party 2; (c) an order is issued or a decision is made to liquidate Party 1 or circumstances arise that give the right to a court of competent jurisdiction to issue an order for the liquidation of Party 1; (d) an order is issued to appoint an administrator to manage the affairs, business and property of Party 1, or documents are filed with a court of competent jurisdiction for the appointment of an administrator.

5.3.5. unilaterally suspend the activities of the Cooperation without any liability to Party 1 if the Server Equipment for any reason (except for circumstances arising through the fault of Party 2) loses the technical ability to combine the capacities of the hardware and software complex for digital mining of digital miners and the distribution of digital assets obtained as a result of the activities of miners, by sending Party 1 a notice of suspension of the activities of the Cooperation within 1 (one) hour after Party 2 discovers the loss of the technical capacity of the Server Equipment, indicating the time frame for restoring the operability of the Server Equipment.

5.4 Party 2 is obliged to:

5.4.1. in the event of technical problems arising during the activities of the Cooperation, eliminate such technical problems within a reasonable time after their occurrence;

5.4.2. send, within calendar days, to Party 1 instructions on the conditions for connecting to the Server Equipment;

5.4.3. provide, upon written request of Party 1, consultative and technical support and provide information reports in connection with the execution of this Agreement;

5.5 The Parties are obliged to:

5.5.1. in the case of exchange of electronic information data using open communication channels (e-mail, Internet, ftp, etc.), comply with information security requirements.

6. LIABILITY OF THE PARTIES

6.1 For failure to perform or improper performance of obligations under this Agreement, the Parties shall bear liability as provided for by the legislation of the Republic of Kazakhstan.

6.2 Neither Party shall be liable to the counterparties of the other Party. The obligations of the Parties related to the Agreement are not joint and several.

6.3 The total aggregate liability of Party 2 under this Agreement is limited to the amount of actual damage to Party 1. Party 2 shall not be liable to Party 1 for loss of hashrate that occurred during the transfer of computing power. Distribution of Digital Assets occurs only in relation to the hashrate actually received.

7. COMPENSATION FOR DAMAGES

Party 1 agrees not to take any action that is intended or could reasonably be expected to cause damage to Party 2 or its reputation or that could result in an undesirable or unfavourable public perception of Party 2. Such actions include disparaging remarks, comments or statements that call into question the character, honesty, integrity, morality, reputation or ability in connection with any aspect of Party 2's activities. This paragraph shall not prohibit Party 1 from taking action to enforce this Agreement through legal proceedings.

8. CONFIDENTIALITY

8.1 During the term of this Agreement and after its termination, each Party shall maintain confidentiality, protection and non-disclosure to third parties of all information provided under this Agreement. The Parties shall not have the right to disclose to anyone any information concerning confidential information that was transferred by the other Party or became known in connection with the execution of this Agreement, without the prior written permission of the other Party. The Parties acknowledge that disclosure of confidential information is permitted to auditors, as well as to other persons in cases expressly provided for by applicable law.

The Party shall notify the other Party in writing of the need to disclose confidential information in the cases provided for in this clause of this Agreement 5 (five) days prior to the transfer of information. The written notification shall contain an indication of the basis for disclosure of the information.

8.2 A Party that has received the appropriate permission to disclose any confidential information to third parties must first obtain from each such third party a written undertaking to comply with the requirements of non-disclosure of the confidential information transferred to it.

8.3 A Party shall not have the right to copy or retain with itself or third parties any materials on paper, electronic or any other medium received from the other Party in connection with the performance of any task. Upon termination of this Agreement, all information, plans, specifications, reports, forecasts, summaries and any information and materials that may have been collected by a Party in connection with the implementation of this Agreement will be returned to its owner or destroyed.

9. REPRESENTATIONS AND WARRANTIES

9.1 Status

Party 2 is a legal entity established and operating in accordance with the legislation of the Republic of Kazakhstan and having the authority to own its assets and carry out its activities.

9.2 Reality

Party 2 has no outstanding obligations that could in any way prevent the Mining Pool from exercising its rights under this Agreement.

9.3 Conclusion of the Agreement

Party 2 has duly approved the conclusion of this Agreement. Party 2 has all rights and powers to sign this Agreement and to fulfill all obligations hereunder. Any permits, approvals and licenses required for the purposes of this Agreement have been duly and timely executed and/or obtained.

9.4 No Violations

The conclusion and execution of this Agreement: (a) does not contradict, and will not contradict in a material respect, the legislation of the Republic of Kazakhstan or the rules applicable to Party 2, as well as its constituent documents and any agreements that are binding for execution and (or) that relate to any of its assets.

9.5 Information

Any information provided in connection with this Agreement is true, accurate and complete.

9.6 Absence of procedural proceedings

Party 2 is not a party to any judicial, administrative or other proceedings that have or may in the future have a negative impact on the ability of Party 2 to properly perform its obligations under this Agreement, and, to the best of Party 2's knowledge, there is no threat of any such proceedings for it.

9.7 Solvency

Party 2 is fully solvent and there are no decisions (or threats of such decisions) regarding its liquidation, bankruptcy, rehabilitation, reorganization or debt restructuring.

9.8 Each Party guarantees to the other Party that:

(a) the conclusion and execution of this agreement is within the scope of incorporate powers and is duly formalized by all necessary corporate decisions, does not

contradict or violate, will not contradict its constituent documents, as well as other internal documents, and will not violate them;

(b) to the best of the Party's knowledge, there are no legal proceedings pending against it that could materially affect its ability to perform its obligations under this agreement;

(c) at the time of conclusion of the Agreement, neither Party violates its obligations under any agreement or contract that could affect its ability to fulfill any obligations under this Agreement.

10. TERMINATION OF THE CONTRACT

10.1 Upon termination of the Agreement, property, knowledge, skills, etc. shall remain with the Party to which the relevant property, knowledge, skills, etc. belonged prior to the conclusion of the Agreement.

10.2 If within 15 (fifteen) business days from the date of conclusion of the Agreement or within any other 3 (three) consecutive calendar days the hashrate of Party 1 is zero, Party 2 has the right to terminate the Agreement unilaterally by notifying Party 1 of the termination of the Agreement by sending a notice of at least 2 (two) days.

11. DISPUTE RESOLUTION PROCEDURE AND APPLICABLE LAW

11.1 All disputes and disagreements that may arise from this Agreement or in connection with it will, if possible, be resolved through meetings and negotiations between the Parties in a pre-trial manner.

11.2 Any dispute, controversy, or claim, whether contractual or non-contractual, arising out of or in connection with this Agreement, including its existence, validity, interpretation, performance, breach or termination, shall be referred to and finally resolved by arbitration administered by the IAC in accordance with the IAC Arbitration and Mediation Rules in effect on the date of filing of the Request for Arbitration with the IAC Registrar and forming an integral part of this Agreement.

11.3 The number of arbitrators shall be three. The place of arbitration shall be [AIFC]. The language of arbitration shall be Russian. This Agreement shall be governed by the laws of the Republic of Kazakhstan in all respects, including its interpretation, validity and execution.

11.4 The substantive law of the Republic of Kazakhstan shall apply to the relations of the Parties under this Agreement.

12. NOTICES

for Party 1:

Address: [REDACTED]
Attention: [REDACTED]

for Party 2:

Address. [REDACTED]
Note: [REDACTED]

12.1 Any notice or other communication to be provided under this Agreement must be sent in Russian in writing and signed by the sending Party.

12.2 If any of the Parties changes its postal address and/or other details specified above, such Party is obliged to notify the other Party of such changes in writing. In the event of a change in any details, each Party is obliged to notify the other Party of this within the specified time frame, otherwise, all losses associated with untimely notification of the change in details will be attributed to the guilty Party.

13. FORCE MAJEURE

13.1 A Party shall be released from liability for partial or complete failure to perform or improper performance of an obligation if this was a consequence of force majeure circumstances that arose after the conclusion of the Agreement as a result of extraordinary circumstances that the Party could not foresee or prevent.

13.2 Force majeure circumstances shall mean, without limitation: military actions, wars, mass riots, civil disobedience occurring at the place where the work is being performed; acts of state bodies; as well as other circumstances of an extraordinary and unavoidable nature that directly impede the proper performance of the Agreement.

13.3 Upon the occurrence of such circumstances, the Party experiencing their effect must notify the other Party of them in writing within five calendar days. The said notification must contain information on the onset and nature of the circumstances, as well as on the probable duration of their effects and the consequences in terms of the performance of the Agreement.

13.4 If the Party affected by force majeure circumstances fails to submit the documents required by law certifying the existence of these circumstances, then such Party shall lose the right to refer to such circumstances as a basis exempting it from liability for failure to perform or improper performance of obligations under the Agreement.

13.5 In cases of force majeure, the term for fulfillment of the obligations of the Party under the Agreement shall be extended in proportion to the time during which those circumstances and their consequences are in effect. If the force majeure circumstances that have occurred and their consequences continue to be in effect for more than thirty days, the Parties shall hold additional negotiations to determine acceptable alternative methods of fulfilling the Agreement or the obligations of the parties shall cease due to the impossibility of fulfillment (except for monetary obligations) from the moment the force majeure circumstances arise. If within the following 1 (one) month the Parties do not agree on the

measures to be taken and/or the force majeure circumstances or their consequences do not cease, each of the Parties shall have the right to terminate the Agreement in the manner prescribed by the legislation of the Republic of Kazakhstan and this Agreement.

14. OTHER PROVISIONS

14.1 This Agreement shall enter into force on the date of signing and shall remain in effect until July 1, 2024 (inclusive), and in terms of the distribution of digital assets and mutual settlements until the Parties have fully fulfilled their obligations.

14.2 This Agreement may be amended by written agreement of the Parties.

14.3 The text of the Agreement fully reflects the essence of the agreements of the Parties on the obligations and rights contained therein. All subsequent agreements are drawn up in writing and are an integral part of the Agreement.

15. DETAILS

Side 1	**Side 2**
Private Company LGHSTRS Ltd.	Limited Liability Partnership “Pool4Miners”
Legal address: Republic of Kazakhstan, g. Astana, st. Dostyk, d. 5, n.p. 199, 205H9M1	Legal address: Republic of Kazakhstan, Ekibastuz city, registration Block 54, Building 19, 141200
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

signatures of the parties

Side 1	**Side 2**
Private Company LGHSTRS Ltd.	Limited Liability Partnership “Pool4Miners”
(Seal affixed)	(Seal affixed)
Director: /s/ Zhao Jingwei	Director: /s/ Imangaliev N.E.

Appendix 1
to Cooperation Agreement No. 22 on the unification of capacities of the hardware and software complex for digital mining of digital miners and the distribution of digital assets obtained as a result of the activities of miners dated August 25, 2023

Form of the Interim Act

Date	Amount of BTC mined minus Party 2's share	Amount of BTC transferred to Party 1	Wallet address for transferring Party 1 share	Transaction data on the blockchain

signatures of the parties

Side 1	**Side 2**
Private Company LGHSTRS Ltd.	Limited Liability Partnership "Pool4Miners"
(Seal affixed)	(Seal affixed)
Director: /s/ Zhao Jingwei	Director: /s/ Imangaliev N.E.

Exhibit 4.30

AGREEMENT FOR THE PROVISION OF SERVICES
OF COMBINING THE CAPACITY OF HARDWARE AND SOFTWARE COMPLEX
FOR DIGITAL MINING OF DIGITAL MINERS AND
DISTRIBUTION OF DIGITAL ASSETS
OBTAINED AS A RESULT OF MINERS' ACTIVITIES

No 24-03-01

Astana city March 29, 2024

This Agreement for the provision of services of combining the capacity of hardware and software complex for digital mining of digital miners for the distribution of digital assets obtained as a result of miners' activities (hereinafter referred to as the "**Agreement**") was concluded between:

(1) **Limited Liability Partnership LGHSTR LLP** is a company established in accordance with the current legislation of the Republic of Kazakhstan (BIN **210840900564**) and registered at the address: Republic of Kazakhstan, Astana city, Esil district, 5 Dostyk Street, NP-199 "**Customer**"), on the one hand, and

(2) **Private Company F2Pool Kazakhstan Ltd.,** a private company established in accordance with the acting law of the AIFC (BIN **230440900503**), and registered at the address: Turkestan 16, office 56, Astana, Republic of Kazakhstan (hereinafter referred to as the "**Contractor**") on the other hand.

PREAMBLE

WHEREAS:

A. **Contractor** owns and operates the servers and necessary equipment ("**Equipment**") and intends to use the Equipment to provide services of combining the capacity of hardware and software complex for digital mining of digital miners and distribution of digital assets obtained as a result of the activities of Customer's miners, the transmission of data from Customer's mining equipment;

B. The Parties wish to document the services of pool, as well as certain other aspects of the proposed strategic cooperation between the Parties on the terms and conditions set forth in this Agreement.

THEREFORE, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions

The following terms shall have the following meanings in this Agreement:

Customer means the digital miner engaged in digital mining activities, whose details are specified in Recitals (1) of this Agreement.

Contractor manages servers and equipment in order to provide services for combining computing capacities of a hardware and software complex for digital mining.

Mining License means the Customer's authorization document for digital mining activities issued by an authorized state body - The Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan (MDDIAI).

IAC means the International Arbitration Centre of the AIFC.

AIFC means the Astana International Financial Center.

Digital Asset Exchange means a digital platform providing organizational and technical support for trading, issuance, circulation and storage of digital assets.

IAC Arbitration and Mediation Rules means the IAC Arbitration and Mediation Rules approved by the IAC Chairman on January 1, 2018.

Applicable Law means the applicable laws of the Republic of Kazakhstan.

Parties means the Customer and the Contractor jointly, and **Party** means the Customer or the Contractor separately.

The unit of computing power of the Equipment shall be calculated in Hashrate.

Hashrate means a unit of service expressed in TH/S or PH/S and consisting of computational operations performed by the Customer's mining equipment and transmitted by the Contractor's server Equipment.

Digital Assets means the property created in electronic-digital form with assignment of a digital code, including with application of cryptography and computer computing means, registered and provided with immutability of information on the basis of distributed data platform technology.

Equipment means the Contractor's equipment, on which the services of combining the capacities of hardware and software complex for digital mining of digital miners and distribution of digital assets obtained as a result of miners' activity are performed.

Hardware and software complex for digital mining means Customer's equipment on which digital operations are performed to maintain blockchain consensus.

BTC means Bitcoin unsecured digital asset.

Distribution of digital assets means an event according to which the Customer has the right of ownership of digital assets arising as a result of providing the Services, and also includes the subsequent transfer (sending) of such digital assets by the Contractor to the Customer's electronic wallet after deduction of the Pool Fee.

Pool Fee means the commission retained by the Contractor for the provision of services hereunder.

FPPS (Full Pay-per-Share) is a digital miner reward formula where digital miners are rewarded when a digital block is fully "solved". Also, digital miners receive an additional reward from transaction fees.

Confidential Information includes, without limitation, technical, financial, commercial and other information related to the activities of the Contractor and the Customer, and which is not publicly available. All information of a confidential nature provided on a tangible medium must have the column "Confidential Information", "Confidential" or otherwise, in English or Russian.

1.2. Interpretation

Unless the context otherwise requires, in this Agreement:

(a) a reference to a **document** shall mean a reference to the document with all attachments, amendments and supplements and/or the adoption of such document as amended;

(b) a reference to an **amendment** means any amendment, supplement, novation, extension or adoption as **amended**, and a reference to amended shall be construed accordingly;

(c) a reference to **assets** includes any property, income and rights;

(d) a reference to **approval** includes any approval, consent, approval, confirmation, resolution, license, exemption or registration;

(e) a reference to a **rule of law** is a reference to a rule of law with all possible modifications, including the adoption of such rule in a new version;

(f) a reference to a **paragraph** or **Appendix** is a reference to a paragraph or Appendix of this Agreement;

(g) a reference to a **person** means an individual entrepreneur and (or) a legal entity;

(h) **including** shall be construed as including without limitation, and **includes** and similar expressions shall be construed similarly, and

(i) words in the singular include the plural and vice versa.

2. SUBJECT OF THE AGREEMENT

2.1.1. Subject to the customer's compliance with all terms and conditions of this Agreement, the Contractor undertakes to provide the Customer with the following remote operational services in respect of the Customer's mining equipment (the "**Services**"):

(a) Acceptance of Customer's mining equipment computing power (Hashrate) to Contractor's server Equipment on a daily basis from 00:00 to 23:59;

(b) Distribution of digital assets to the Customer from 10:00 to 18:00 of the next day or the day after the next day, Astana, RK time.

3. AGREEMENT FEE AND CALCULATIONS PROCEDURE

3.1. Agreement Fee and Calculations Procedure

3.1.1. The Pool Fee shall be 2.5% of the distributed Digital Assets in terms of the block reward, calculated in accordance with the FPPS calculation formula provided in Appendix No. 2 to the Agreement and held at the time of Distribution of the Digital Assets, pursuant to subparagraph (b) of paragraph 2.1.1 of this Agreement. The Pool Fee and other applicable fees, if applicable, shall be paid by the Customer only when the Customer actually begins to engage in digital mining activities under the Services provided by the Contractor pursuant to this Agreement.

The rate of the Pool Fee shall be fixed for one year from the date of signing of this Agreement if the Customer could keep its weighted average hashrate in all accounts above 150P. The rate can be increased from 2.5% to 3% if the luck of bitcoin blocks that mined by Customer' hashrate during past 3 months is below 80%.

The monthly calculation of the cost of Services is based on the acts of completed work, in accordance with clause 3.1.2.

3.1.2. The scope of the indicated Services is determined according to the daily indicators of acts of completed work in the form according to Appendix 1.

3.1.3. The Services under this Agreement are deemed performed after the payment is credited according to clause 2.1.1(b) to the Customer's e-wallet linked to the Customer's accounts according to clause 4.2.5.

3.1.4. The Contractor shall provide the Customer with an (interim) Act of completed work on a daily basis in the form according to Appendix 1. The Customer is obliged to familiarize itself with the (interim) Act of completed work, or to provide a written justified objection with indication of the reasons for the objection. In case the Customer within 5 (five) calendar days after sending the (interim) Act of completed works to the Customer does not provide a written justified objection indicating the reasons for the objection, the Services are considered to be accepted by the Customer unconditionally according to such Act, and such Act shall have full legal force.

3.2. The Customer is solely responsible for paying all taxes and fees related to the extraction of Digital Assets, in accordance with applicable law.

4. RIGHTS AND OBLIGATIONS OF THE PARTIES

4.1. The Customer has the right:

4.1.1. to use the services of the Contractor;

4.1.2. to apply to the Contractor for elimination of any defects related to the transfer of the Equipment Power, as well as for any issues arising for the Customer in connection with the fulfillment of this Agreement;

4.1.3. refuse to fulfill this Agreement in case of a breach by the Contractor of the terms and conditions of this Agreement, as well as in other cases expressly provided for by this

Agreement, including, but not limited to, revocation/annulment and/or other cancellation of accreditation of the Contractor as a digital mining pool;

4.1.4. request from the Contractor to provide any documents confirming the compliance of the Contractor's activities with the requirements of the current legislation of the Republic of Kazakhstan, as well as with the terms and conditions of this Agreement;

4.1.5. in the event of non-performance or improper performance by the Contractor of its obligations under this Agreement, the Customer has the right to demand from the Contractor reimbursement of documented costs incurred by the Customer, unless the Contractor proves that non-performance or improper performance was impossible due to force majeure;

4.1.6. if during the fulfilment of this Agreement it becomes obvious to the Customer that the Services are improperly performed by the Contractor, the Customer has the right to set a reasonable period for eliminating the identified deficiencies, and if the Contractor fails to eliminate (or is unable to eliminate) ыгср deficiencies within the specified period, to refuse from the performance of this Agreement;

4.1.7. use any other rights and remedies provided by this Agreement and (or) any applicable legislation.

4.2. The Customer is obliged:

4.2.1. pay the cost of the Contractor's Services according to the tariffs defined in clause 3.1.1. of this Agreement;

4.2.2. in case of detection of defects after acceptance of the Contractor's Services, which could not be detected by the usual method of acceptance (hidden defects), to notify the Contractor about it from the date of their detection;

4.2.3. immediately notify the Contractor in written form as soon as the Customer becomes aware of an event that may lead to the revocation of the Mining License, as well as of technical problems related to the mining activities carried out by the Customer;

4.2.4. immediately notify the Contractor in written form of the revocation of the Mining License, as well as of technical problems related to the mining activities carried out by the Customer;

4.2.5. to link its accounts to the electronic wallet through the pool interface in order to receive payments after the conclusion of this Agreement.

4.3. The Contractor has the right to:

4.3.1. withhold payment in accordance with clause 3.1.1. from the Customer for the rendered Services of distribution of Digital Assets obtained as a result of miners' activity in the amounts and within the terms stipulated by this Agreement;

4.3.2. use any of its other rights and remedies provided by this Agreement and/or any applicable law.

4.4. The Contractor is obliged:

4.4.1. send instructions to the Customer on the terms and conditions of connection to the mining pool;

4.4.2. provide the Customer with the Services of proper quality in the quantity and within the timeframe stipulated by this Agreement;

4.4.3. in case of technical problems in rendering the Services, to immediately inform the Customer about the technical problems and eliminate such technical problems within a reasonable time after their occurrence;

4.4.4. provide the Customer with an Act of completed work on a daily basis in the form according to Appendix 1;

4.4.5. at Customer's request to provide consulting and technical support and furnish the Customer with information reporting in connection with the performance of obligations by the Contractor under this Agreement;

4.4.6. notify the Customer on any reportings to be made by the Contractor to any state authority of the Republic of Kazakhstan in connection with, or, due to the performance of obligations by the Contractor of its obligations under, this Agreement, at least 3 business days prior to submission of a relevant reporting.

5. LIMITATION OF LIABILITY

5.1. The Contractor's total aggregate liability under this Agreement, civil law (including for negligence or breach of statutory duty arising on any ground whatsoever), misrepresentation (whether innocent or negligent), restitution or otherwise arising in connection with the performance or purported performance of this Agreement shall in all circumstances be limited to the total of all payments made by the Customer to the Contractor under this Agreement during the daily per diem period of the Agreement immediately preceding the event that entailed the Contractor's liability.

5.2. The Contractor shall have the right to unilaterally suspend the provision of the Services without any liability to the Customer if the Equipment for any reason loses its technical ability to combine the capacity of the hardware and software complex for digital mining of digital miners and distribution of digital assets derived from the activities of the miners, by sending to the Customer a notice of suspension of the provision of the Services within 1 (one) hour after the Contractor identifies the loss of technical ability of the Equipment with the indication the terms for restoring the technical ability of the Equipment.

5.3. Notwithstanding anything in this Agreement to the contrary the Contractor is responsible to the Customer for the unprovided Services in case of failure of the Contractor's Equipment for any reasons/grounds that violate the Rules for Accreditation of Digital Mining Pools approved by the Order of the Minister of Digital Development, Innovation and Aerospace Industry dated April 11, 2023 No 142/HK.

5.4. Clause 5 of this Agreement remains in force after termination of this Agreement, under any circumstances.

5.5. Notwithstanding other provisions of this Agreement, the Customer may unilaterally terminate the Agreement for any reason at any time provided that all financial obligations under the actually rendered Services under the Agreement are fulfilled to the Contractor, as well as by sending at any time a written notice on termination of the Agreement.

6. COMPENSATION FOR DAMAGES

6.1. Warranties

6.1.1. Parties agree to indemnify, defend and hold other Party harmless from any documented loss, liability, claim or expense (including legal expenses) arising out of the negligence or breach of this Agreement by such Party. The Parties' indemnifications obligations remains in force after the termination of this Agreement, regardless of the time of their occurrence.

6.1.2. The Contractor guarantees the security, warrants and is fully responsible for the Digital Assets to be distributed through the pool pursuant to the Services provided by the Contractor. In case of any damage to the Digital Assets during the use of the Contractor's pool, the latter shall fully compensate the Customer's losses.

7. CONFIDENTIALITY

7.1. Confidentiality

7.1.1. During the term of this Agreement and after its termination, each of the Parties shall keep confidentiality, protection and non-disclosure to third parties of all information provided and marked as confidential by the disclosing Party.

7.1.2. The Contractor shall strictly observe confidentiality with respect to any information related to any of the assignments received from the Customer under this Agreement. The Contractor shall not be entitled to disclose to anyone any information relating to confidential information, which was given to him by the Customer or became known to him in connection with the execution of this Agreement, without prior written authorization of the Customer, which shall specify the scope and nature of the information to be disclosed.

7.1.3. The Contractor, who has received from the Customer a corresponding written permission to disclose any confidential information to third parties, must first receive from each such third party a written obligation to comply with the requirements of non-disclosure of confidential information transferred to him.

7.1.4. The Contractor shall not copy or retain for itself or any third party any material in paper, electronic or any other medium received by it from the Customer in connection with the performance of any assignment. Upon termination of this Agreement, all information, plans, specifications, reports, forecasts, summaries and any information and materials that may have been collected by Contractor in connection with the performance of this Agreement shall be delivered to Client in the manner and to the extent determined by Customer.

7.1.5. The Customer shall keep all Confidential Information received from the Contractor in strict secrecy and agrees not to use such Confidential Information in the interests of

himself or any third party and not to disclose such Confidential Information to any third party, except in cases when the Confidential Information is disclosed by the Customer in accordance with the request or order of the authorized state body, according to the legislation of the Republic of Kazakhstan. However, prior to any such compelled disclosure of Confidential Information, Customer shall first notify Contractor and cooperate with Contractor to protect against any such disclosure and exercise remedies to narrow the scope of such disclosure and/or use of Confidential Information. To the extent that the parties are unable to obtain a remedy, or Contractor releases Customer from compliance with the provisions of this Agreement, Customer may provide only that portion of the Confidential Information required by law and further maintain the secrecy of the Confidential Information that is beyond the scope of compelled disclosure under this Agreement.

8. REPRESENTATIONS AND WARRANTIES

8.1. Contractor's representations and warranties

The Contractor hereby represents and warrants to the Customer as follows (and undertakes to ensure the completeness, accuracy and validity of these representations and warranties during the period of this Agreement).

8.1.1. Status

The Contractor is a legal entity established and acting in accordance with the laws of the Republic of Kazakhstan and the acting law of the AIFC and authorized to own its assets and carry out its activities.

8.1.2. Validity

The Contractor does not have any unfulfilled obligations that could in any way prevent the Contractor from exercising its rights and fulfilling its obligations under this Agreement.

8.1.3. Conclusion of the Agreement

The Contractor has duly approved the conclusion of this Agreement. The Contractor has full power and authority to sign this Agreement and to perform all obligations hereunder. Any permits, approvals and licenses required for the purposes of this Agreement have been timely and properly executed and/or obtained by the Contractor.

8.1.4. Absence of violations

The Contractor's execution and performance of this Agreement: (a) is not in conflict with, and will not be in material conflict with, any law or regulation applicable to the Contractor, as well as its constituent documents and any agreements that are binding on the Contractor and/or that relate to any of its assets.

8.1.5. Information

Any information provided by the Contractor to the Customer in connection with this Agreement shall be true, accurate and complete.

8.1.6. No Legal Proceedings

The Contractor is not a party to any judicial, administrative or other proceedings which have or may in the future adversely affect the Contractor's ability to properly perform its obligations under this Agreement and, to the best of the Contractor's knowledge, there is no threat of any such proceedings to the Contractor.

8.1.7. Solvency

The Contractor is fully solvent and there are no decisions (or threat of such decisions) regarding liquidation, bankruptcy, rehabilitation, reorganization of the Contractor or restructuring of the Contractor's debts.

9. LIABILITY

9.1. Liability

9.1.1. For non-fulfillment or improper fulfillment of obligations under this Agreement the Parties shall be liable as provided by the laws of the Republic of Kazakhstan.

10. DISPUTE RESOLUTION PROCEDURE AND APPLICABLE LAW

10.1. Arbitration

Any dispute, controversy, claim, whether of a contractual or non-contractual nature, arising out of or in connection with this Agreement, including the existence, validity, interpretation, performance, breach or termination thereof, shall be submitted to and finally resolved by arbitration administered by IAC in accordance with the IAC Arbitration and Mediation Rules in effect on the date the Request for Arbitration is submitted to the IAC Registrar and forming an integral part of this Agreement.

10.2. Appointment of Arbitrators

10.2.1. The number of arbitrators must be one.

10.2.2. An arbitrator shall be appointed by agreement between the Parties. If the Parties have not agreed on the appointment of an arbitrator within 10 days of the Commencement Date notified to the Parties by the IAC Registrar, at the request of one of the Parties, the arbitrator shall be appointed by the IAC Chairperson.

10.3. Place of Arbitration and Applicable Law

The place of arbitration shall be deemed to be AIFC. The law in force in the place of arbitration shall be the applicable law governing the arbitration proceedings.

10.4. Language of Arbitration

The language of the arbitration proceedings shall be English.

10.5. Applicable Law

This Agreement shall be governed by Applicable Law in all respects, including with respect to its interpretation, validity and performance.

11. NOTICES

11.1. Notices

All notices and other communications given under this Agreement shall be deemed to have been duly received if delivered to the addressee by courier or registered mail to the address of the proper addressee as set forth below:

For the Customer:

Address: LGHSTR LLP
Attention: [REDACTED]
e-mail: [REDACTED]

For the Contractor:

Address: [REDACTED]
Attention: [REDACTED]

11.2. Change of address

In case any of the Parties has a change of its postal address and/or other details specified in clauses 11.1 and 14, such Party shall notify the other Party in written form of such changes. This notification must be carried out in the manner as provided in clause 11.1 above and not later than three (3) business days from the effective date of the relevant changes.

11.3. Consequences of Failure to Notify

A Party that fails to notify the other Party of a change in its details as required under clause 11.1 above shall not be entitled to claim non-receipt of any communications under this Agreement from the other Party if such communications were sent to the details originally specified in clause 11.1 above.

12. FORCE MAJEURE CIRCUMSTANCES (FORCE MAJEURE)

12.1. The Party shall be released from liability for partial or full non-fulfillment or improper fulfillment of the obligation, if it was a result of force majeure circumstances, which arose after conclusion of the Agreement as a result of extraordinary circumstances, which the Party could not foresee or prevent.

12.2. Force majeure circumstances mean: flood, fire, earthquake, natural disasters, epidemic, war or military actions, as well as decisions of state authorities or governmental bodies.

12.3. Upon occurrence of such circumstances, the Party experiencing such circumstances shall notify the other Party of them in written form within five calendar days.

12.4. The Party referring to force majeure circumstances shall submit to the other Party official documents certifying the existence of such circumstances and, if possible,

assessing their impact on the possibility of fulfillment by the Party of its obligations under the Agreement. Force majeure circumstances of publicly known nature do not require proof.

12.5. If the Party affected by force majeure circumstances fails to send the documents stipulated by the Agreement certifying the existence of such circumstances, such Party shall be deprived of the right to refer to such circumstances as a ground exempting it from liability for non-fulfillment or improper fulfillment of obligations under the Agreement.

12.6. In case of force majeure circumstances, the term of fulfillment of obligations under the Agreement by the Party shall be postponed commensurately with the time during which these circumstances and their consequences are in effect. If the force majeure circumstances and their consequences continue to operate for more than thirty days, the Parties shall conduct additional negotiations to determine acceptable alternative ways of fulfillment of the Agreement or the obligations of the Parties shall be terminated by impossibility of fulfillment (except for monetary obligations) from the moment of occurrence of the force majeure circumstances.

13. OTHER PROVISIONS

13.1. Term of validity

This. Agreement shall enter into force on the date of signing and shall remain in force until December 31, 2024 (inclusive), and in terms of mutual calculations – until calculations between the Parties are fully completed.

13.2. Use of Rights

Except as expressly provided in this Agreement (and except as otherwise provided by Applicable. Law), if a Party has or may have or has otherwise obtained any right (including the right to grant or refuse to grant approval or consent), then any such right may be exercised (exercised) at any time in such Party's sole discretion.

13.3. Notice of breach

The Contractor agrees to provide the Customer with prompt notice in written form of any breach of this Agreement of which the Contractor shall become aware.

13.4. Relationship

Nothing in this Agreement shall create, confirm or imply any other relationship between the Parties other than that of independently contracting counterparties.

13.5. Waiver of Performance (Forgiveness)

Forgiveness of non-performance (release from liability for breach) of any provision of this Agreement shall not be valid for the Parties unless such forgiveness is executed in writing form by the forgiving Party. No forgiveness of nonperformance of a particular provision of this Agreement shall constitute a forgiveness of nonperformance of any other provision of this Agreement, nor shall any forgiveness of nonperformance constitute a continuing forgiveness unless expressly provided for in such forgiveness.

13.6. Severability

In the case of any provision of this Agreement becomes illegal, invalid or unenforceable under any applicable law of any jurisdiction, such illegal, invalid or unenforceable provision shall not affect or impair the legality, validity or enforceability of the remaining provisions of this Agreement.

13.7. Copies and Language

This Agreement may be executed by the Parties by exchange of signed copies of this Agreement, in which case it shall be deemed to have been executed when each Party has signed and delivered its signed copy of this Agreement (either in original or electronic copy) to the other Party, In the event of any discrepancy or inconsistency between the English and Russian versions, the English version shall prevail.

13.8. Modification

This Agreement may be amended by written agreement of the Parties.

14. REQUISITES

CUSTOMER:

«LGHSTR LLP» LLP
BIN: 210840900564
Legal address: Republic of Kazakhstan, Republic of Kazakhstan, Almaty region, Astana, Yesil district, Dostyk str., 5, NP-199
Bank: [REDACTED]
Account: [REDACTED]
BIC: [REDACTED]

CONTRACTOR:

чк F2Pool Kazakhstan
Astana, Yesil district, Turkestan 16, office 56
BIN: 230440900503
Bank name: [REDACTED]
Bank account numbers: [REDACTED]
BIC: [REDACTED]

SIGNATURES OF THE PARTIES:

Customer

«LGHSTR LLP» LLP

(Seal affixed)

Signature: /s/ Zhalel E.
Name: Zhalel E.
Position: Director
Stamp

Contractor

Private Company «F2Pool Kazakhstan Ltd»

(Seal affixed)

Signature: /s/ Beispekov A.G.
Name: Beispekov A.G.
Position: Director
Stamp

Appendix 1
to the Agreement on provision of services of pooling of capacities of hardware and software complex for digital mining of digital miners and distribution of digital assets obtained as a result of miners' activity dated 29.12.2023 No 85-

(Interim) Act of completed work (form)

No.	Individual ID number/business ID number of the digital miner	Name of digital miner	License number and issue date	Details (address) of the digital e-wallet	Date of distribution of the unsecured digital asset	Name of the unsecured digital asset distributed to the digital miner	Quantity of unsecured digital asset distributed to a digital miner	Mining pool fee			
								in digital assets		in currency	
								Name of unsecured digital asset	Quantity	Currency name	Quantity
1	2	3	4	5	6	7	8	9	10	11	12

SIGNATURES OF THE PARTIES

«LGHSTR LLP» LLP

(Seal affixed)

Director /s/ Zhalel E.

Contractor:
Private Company F2 Pool Kazakhstan

(Seal affixed)

Director /s/ Beispekov A.G.

Appendix 2
to the Agreement on provision of services of pooling of capacities of hardware and software complex for digital mining of digital miners and distribution of digital assets obtained as a result of miners' activity
dated 29.12.2023 No 85-

Calculation of FPPS

Miner rewards for 24 hours = Average Effective Hashrate * (FPPS * (1 - stale rate) * (1 - %Pool fee))

where:

- FPPS = PPS * (1 + %avg. Tx fees);
- PPS = Block Reward * 24 * 60 * 60 / (difficulty * 2^32);
- Block Reward = block reward net of Tx fees (as of 17.01.2024 Block Reward = 6.25 BTC);
- % Tx fees = Tx fees of the block / Block Reward

While calculating %avg. Tx fees the pool does not account 5% of blocks with the highest and the lowest transaction fee values for the day. The number of blocks is always rounded up, e:g 5% from 149 blocks a day = 7,45 blocks. 7,45 is rounded to 8 blocks, hence the pool will not account 8 blocks with the highest and 8 blocks with the lowest transaction fees for the day.

- %Pool fee - pool fee percentage value defined in section 3.1.1.a of this Agreement.
- Stale rate - the time when the mining equipment was processing the previous block of Bitcoin network when the network already switched to a next block.

All variables in formulas are calculated for the day between 00:00:00 UTC and 23:59:59 UTC.

Exhibit 4.31

MIR M GAME PUBLISHING AGREEMENT

THIS MIR M GAME PUBLISHING AGREEMENT (this "**Agreement**") is made and entered into as of May 24, 2024 ("**Execution Date**") by and between:

Licensor:

Wemade Co., Ltd. (주식회사 위메이드), a corporation duly organized and validly existing under the laws of the Republic of Korea ("**Korea**") and having its address at 10F, Wemade Tower, 49, Daewangpangyo-ro 644beon-gil, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea ("**Licensor**");

Licensee:

China Crown Technology Limited, a corporation duly organized and validly existing under the laws of Hong Kong (the "**Hong Kong**") and having its address at Room 1502, 15/F., Harcourt House, No.39 Gloucester Road, Wanchai, Hong Kong ("**Licensee**");

Guarantor:

The9 Limited, a corporation duly organized and validly existing under the laws of the Cayman Islands which has American depositary shares, listed on the Nasdaq Capital Market ("NASDAQ") under trading symbol "NCTY", and having its address at Floor 2, Willow House, Cricket Square, PO Box 709, Grand Cayman KY1-1107, Cayman Islands. ("**Guarantor**").

Licensor and Licensee shall be referred to in this Agreement individually as the "**Party**" or collectively as the "**Parties**".

RECITALS

WHEREAS:

A. Licensor holds an exclusive right to publish the Original Game (defined hereinafter) which is granted by the owner of all the Intellectual Property Rights (defined hereinafter) in relation to the Original Game anywhere in the world and has the full power to execute this Agreement.

B. Licensee desires to obtain a license, in order to publish and operate the Game (defined hereinafter) within the Territory (defined hereinafter), and Licensee intends to share the revenue proceeds with Licensor in accordance with the terms and conditions set forth below.

C. Guarantor is an affiliate of Licensee and is willing to enter into this Agreement in order to guarantee the obligations of Licensee under this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and other terms and conditions contained herein, and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Parties hereby agree as follows:

Article 1 (Definitions)

In this Agreement:

1. "**Affiliate**" with respect to a person, shall mean any legal entity (such as a corporation, partnership, or limited liability company) that controls, is controlled by, or is under common control with, such person. For the purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such legal entity, whether through the ownership of voting securities or by contract.

2. "**Billing System**" shall mean any and all systems, databases and servers which include information and/or data relevant to the calculation of the Gross Revenue and Monthly Royalty Fee for the Game, user payment, sales of game items within the Game, registration of peripheral commodities, point cards and virtual cash, and user identification and other payment and billing related information.

3. "**Business Day**" shall mean any day other than a Saturday, Sunday or a legal holiday in the People's Republic of China and in Korea.

4. "**Confidential Information**" shall mean all information embodied in written, graphical, digital, oral or other form or media related to the Original Game, and/or the Game, save for any information or data that has come into the public domain other than through a breach of this Agreement by either Party. "Confidential Information" shall include but is not limited to, data, discoveries, inventions, documents, reports, source code, object code, know-how, existing and potential Intellectual Property Rights, and the business and legal arrangements between the Parties under this Agreement, such as the Monthly Sales Reports, Daily KPI Reports, and the Billing System information contemplated in this Agreement. Confidential Information should include other information disclosed by one Party that should reasonably be considered to be confidential or proprietary due to its nature or the context of its disclosure.

5. "**Excludable Payments**" shall mean any and all fees actually paid to end users in relation to the use of the Game in the form of cash backs, gift coupons, free mileage, and/or other forms of giveaways and gifts received by the end users through any promotional activities with Licensor's prior consent.

6. "**Effective Date**" shall mean the date Licensor issues a confirmation in writing to Licensee that Licensor received the full payment according to Article 7.1(c)(i) from Licensee. Licensee shall not publish or provide any services in relation to the Game before the Effective Date.

7. "**Game**" in this Agreement shall mean the Service Language (defined below) version of the Original Game which is named [暮光双龙] and commercially released and published by Licensee in the Territory, in accordance with the terms of this Agreement, in mobile version and PC version. For the avoidance of doubt, the "Game" shall not include any sequel, spin-off or derivative thereof unless otherwise approved by Licensor in writing. Unless there is prior written approval, any decision on the name or the change in the name of the Game shall constitute a material breach of this Agreement by Licensee. The Game may include elements that use "Blockchain" technology (a technology that stores data in electronic blocks and connects each block sequentially in a chain-like formation, which is a distributed data storage method that records transaction details in a ledger that can be accessed by anyone and copies and stores it on each computer participating in a Blockchain network), provided that this shall be subject to compliance with the relevant PRC laws and regulations.

8. "**Gross Revenue**" shall mean any and all revenues arising out of or resulting from the service and operation of the Game and all other income-generating activities relating to the Game, but excluding Excludable Payments, such as: (i) the use of the Game offered to end users, which is actually paid by end users and calculated based upon the face value of the game card or the retail price (inclusive of the value added tax ("**VAT**"(增值税))) of the game, using any type or form of payment, including without limitation, payment by prepaid card, credit card, direct debit, SMS, phone payment, account transfer or any other means of payment whether through on-line or off-line methods, (ii) the sale or dealing in peripheral commodities, point cards and virtual cash registered in the Billing System to play the Game, (iii) any advertising, broadcasting or other similar revenue generated from the Game, and (iv) any other revenue generated by

Licensee by otherwise exploiting the Game, the method of calculation of which shall be separately determined by the Parties where applicable. Except for the matters provided in this Agreement or where the Parties agree in writing, no exclusions or deductions shall be made from the calculation of the Gross Revenue. For the avoidance of doubt, the Gross Revenue shall be calculated free and clear of any deduction or set-off for or on account of any fees charged by services providers or other entities including but not limited to, payment gateways, channeling and/or platform services, and VAT.

9. "**Intellectual Property Rights**" means intellectual property rights, and shall include all rights in patents, trademarks, service marks, domain names, copyright and related rights, Moral Rights, registered designs, utility models, software, layout design rights, database rights, trade or business names, Confidential Information, rights protecting goodwill and reputation know-how, trade secrets, inventions (whether patentable or not), improvements, publicity rights, rights of privacy, and all other rights and all applications for the same, whether presently existing or created in the future, anywhere in the world, whether registered or not, and all benefits, privileges, rights to sue, recover damages and obtain relief for any past, current or future infringement, misappropriation, or violation of any of the foregoing rights.

10. "**Licensed IP**" shall mean all Intellectual Property Rights of the Original Game owned by WEMADE M Co., Ltd. ("**WEMADE M**") and ChuanQi IP Co., Ltd. ("**CQ**") and licensed to Licensor for publishing, to the extent that the same subsists in respect of the following (without limitation) namely, material, information, work product, items, components, or subject matter either (i) made available by Licensor to Licensee in connection with this Agreement during the License Term (defined hereinafter), (ii) associated with or based on whole or part of the Original Game, or (iii) features of the Original Game, including any and all: (a) texts, videos, visual displays, scripts, literary treatments, characters, character biographies and background stories, background themes, environments, rules and play patterns, names of places and other elements visible to the user of a game or other product; (b) sounds, sound effects, sound tracks, and other elements audible to the user of a game or other product; (c) methods in which the user interacts with the characters, backgrounds, environments, or other elements of a game or other product; (d) distinctive and particular elements of design, organization, presentation, "look and feel," layout, user interface, navigation, trade dress, and stylistic convention (including the digital implementations) within a game or other product and the total appearance and impression substantially formed by the combination, coordination and interaction of these elements; (e) Trademarks (as defined hereinafter), service marks, trade names, goodwill, rights of publicity, merchandising rights, advertising rights and similar rights; and (f) any other proprietary elements of a game. "Licensed IP" includes (a)-(f) above in any Updates (defined hereinafter) to the Original Game made during the License Term.

11. "**License Term**" shall mean the period from the Execution Date until the termination or expiry of this Agreement.

12. "**Monthly Gross Revenue**" shall mean, with respect to any calendar month, the Gross Revenue earned during that calendar month.

13. "**Moral Rights**" shall mean the rights described in Article 6*bis* of the Berne Convention for Protection of Literary and Artistic Works 1886 (as amended and revised from time to time), being "droit moral" or other analogous rights arising under any law, that exist or that may come to exist, anywhere in the world and shall be deemed to include but not be limited to any rights to claim authorship of any work, to object to or prevent the modification of any work, or to withdraw from circulation or control the publication or distribution of any work, and any similar right, existing under judicial or statutory law of any country in the world, or under any treaty, regardless of whether or not such right is denominated or generally referred to as a moral right.

14. "**Original Game**" shall mean the massively multiplayer online game named "MIR M" (the name of Chinese edition is "暮光双龙" (ISBN [REDACTED]) and the name of Korean edition "미르엠(미르M)") as developed and owned by WEMADE M. Documents evidencing the intellectual property registration in relation to the Original Game in Korea and China are attached in **Appendix I**.

15. **"Permitted Platforms"** shall mean such platforms specifically designated by Licensee to publish a particular version of the Game under this Agreement, and for which Licensor's prior written consent (such consent shall not be unreasonably withheld, conditioned, or delayed) was obtained.

16. "**Platform Operator**" shall mean the operator of Permitted Platforms.

17. "**PRC**" shall mean People's Republic of China, excluding Hong Kong, Taiwan, Macao, only for purpose of this Agreement.

18. "**Substantially Similar**" shall mean the existence of common or similar elements or expression of ideas (e.g., features listed in (a) to (f) of Article 1.10) with the Original Game reaching a level of substantiality both qualitatively and quantitatively such that an ordinary observer would recognize the game as being derived from the Original Game by its overall appearance and feel.

19. "**Territory**" shall mean the geographical territory of the People's Republic of China, except Hong Kong, Taiwan, and Macao (i.e. Mainland China only).

20. "**Trademarks**" shall mean the trademarks associated with the Original Game, whether registered in CQ, Licensor or WEMADE M's name in the Territory or otherwise during the term of this Agreement, including but not limited to the trademarks listed under **Appendix II**.

21. "**Updates**" shall mean bug fixes, performance improvements, introduction of new items or new characters, addition of new stages, maps, or play modes within each Permitted Platform related to the content of the Game.

22. "**Service Language**" means Simplified Chinese subject to the Parties' further agreement.

23. "**New Version of the Game**" means[REDACTED].

24. "**End User**" means users who are allowed to connect to the server, directly or indirectly enjoying the Game service provided by Licensee in the Territory.

Article 2 (Grant of License)

1. Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee an exclusive, non-transferrable, non-assignable, limitedly sublicensable, limited and revocable license during the License Term in the Territory:

   (a) To publish and service the Game in the Territory on the Permitted Platforms (the "**Service**") (on the condition that prior written consent has been given by the Licensor to that particular version of the Game) using the Licensed IP, including the license:

      (i) To maintain and operate the Service of the Game and to grant subscriptions to end users to use and access the Game solely in the Territory;

      (ii) To market, distribute, publish, transmit, publicly display and publicly perform the Game, in whole or in part, solely in the Territory or solely in connection with and for the purpose of the Service of the Game in the Territory; and

      (iii) To reasonably use the enterprise name, Trademarks, service marks, trade names, and Licensor's logo, in order to publish and service the Game in the Territory, provided that Licensee shall not use the aforesaid marks and logos in a manner that is likely to adversely affect or prejudice Licensor, WEMADE M or its Affiliate's interests, including Licensor's

goodwill, Licensor's standing, and the validity of any Intellectual Property Rights in and to the Original Game.

(b) To sublicense any licenses granted under Article 2.1(a) above to third party, Licensee shall obtain CQ's prior written approval (such approval shall not be unreasonably withheld, conditioned, or delayed), except for sublicense to Licensee's Affiliates under its full control after written notification to CQ of the scope of sublicense and the name of Licensee's Affiliates.

2. The Parties acknowledge and agree that between Licensor and Licensee, Licensor retains all rights, title and interest to the Intellectual Property Rights of the Game and Original Game. Nothing in this Agreement shall be construed to convey or transfer to Licensee any rights in or related to the Licensed IP. Licensor holds all permanent rights, including but not limited to copyright, patents, associated rights, title and all interest in the Game as a whole.

3. The license granted to Licensee by Licensor under this Agreement is limited to the one (1) specific version of the Game in the Service Language only, as expressly defined in Article 1.7. Other versions of the Game in a language other than the Service Language may be licensed by Licensor under a separate contract, on the written agreement of the Parties, and the grant of such licenses shall remain at all times subject to such terms and conditions as Licensor may require in its absolute discretion.

4. For the avoidance of doubt, the license granted hereunder to Licensee expressly excludes the license to develop and exploit any sequel, spin-off or derivative of the Game (including other versions of the Game or of the Original Game) without the prior written approval of Licensor. Any breach by Licensee of the obligations described in this paragraph shall be a material breach of this Agreement.

5. For the avoidance of doubt, nothing in this Agreement precludes Licensor or its designees from using or licensing the Trademarks or Licensed IP in connection with the development and exploitation of any other game in the Territory.

6. Licensee shall not use the Licensed IP (or any part thereof) to develop and exploit any game unless explicitly permitted otherwise in this Agreement. Any breach by Licensee of the obligations described in this paragraph shall be a material breach of this Agreement.

7. In case there is a need to modify the name of the Game at any time during the License Term, Licensee shall be required to obtain Licensor's prior written approval. Unless there is prior written approval by Licensor, any decision on the name by Licensee, or any change in the name of the Game by Licensee (whether in whole or in part) shall constitute a material breach of this Agreement by Licensee. For the avoidance of doubt, Licensor's approval of any new name proposed by Licensee shall not be deemed as a warranty or representation by Licensor to Licensee that the use of such name proposed by Licensee is lawful or non-infringing of third party rights. Licensee shall on demand fully indemnify and hold Licensor harmless in respect of any losses, liability, costs and expenses (including legal expenses on a full indemnity basis) arising out of any claims that the new name is unlawful or infringes on the rights of any third party.

Article 3 (Publishing and Commercial Launch of the Game)

1. Licensee shall publish the Game and operate the Service only through the Permitted Platforms with Licensor's prior written consent (such consent shall not be unreasonably withheld, conditioned, or delayed).

2. Licensee shall not provide any Service or operate the Game prior to the Effective Date, and the following shall apply:

(a) Licensee shall launch the closed beta testing ("**CBT**") of the Game upon Licensor's request for the Game, provided that the CBT has been approved by the relevant PRC license, if necessary.

(b) Licensee shall immediately notify Licensor in writing of any delay, and Licensee shall promptly use its best endeavours to remedy the delays.

(c) The CBT and Commercial Launch date of the Game shall be confirmed and agreed in writing by both Parties. For the avoidance of doubt, the Commercial Launch date shall mean a date after the CBT, if the CBT was performed, when the Game is generally accessible to the end users on the Permitted Platforms, and when there is any revenue generated from the end users, that is not for testing purposes. In any case, Licensee shall not perform the Commercial Launch of the Game before the payments of Licensee Fee and Minimum Payment to Licensor under Article 7.1(c)(i) and (ii).

3. The Parties shall diligently perform the obligations set forth in **Appendix V** in relation to the publication of the Game and the Services. The Parties may further negotiate with each other to add more obligations or adjust certain obligations in **Appendix V** by mutual consent.

4. Licensee will be responsible for filing and obtaining all related government and/or state related licenses, approvals, and/or certificates in regards to the servicing and operation of the Game and Licensor shall cooperate with Licensee during this process in a timely manner.

5. [REDACTED].

6. [REDACTED].

Article 4 (Protection of Licensed IP)

1. During the License Term, without prior written consent of Licensor, Licensee shall not engage in any development or service of the game which (a) uses any Licensed IP, or (b) which incorporates elements **Substantially Similar** to those in the Original Game, other than the Game in accordance with this Agreement.

2. During the License Term and for three (3) years after the License Term, Licensee shall not advise, or provide any support to, a third party developing or providing the service online, or through other platforms such as mobile, PC, Smart TV, etc. or any similar platform, for, any game which has used any of the Licensed IP, or is substantially similar to the Original Game.

3. In developing, marketing and distributing the Game, Licensee shall not engage in any activities that may be detrimental to the reputation of Licensor or the brand image of the Original Game (including WEMADE M and its affiliates), or may have an adverse effect on the identity of the Original Game.

4. If Licensee becomes aware of or has been informed by Licensor about any infringement of the Licensed IP by a non-licensed third party, Licensee shall immediately (i) inform Licensor of such infringement and (ii) submit a description of the measures to be taken to stop such infringement (e.g. requesting the third party to discontinue such infringement) for Licensor's approval, which shall not be unreasonably withheld. Upon the approval of Licensor, Licensee shall immediately implement such measures and report Licensor of the progress within seven (7) days of such approval. Any actions to be taken under this clause, which would require professional legal resources, shall be taken by Licensor. After the Effective Date, Licensor shall provide a letter of authorization issued by WEMADE M and CQ evidencing that Licensor holds an exclusive right to publish the Original Game which is granted by the owner of all the Intellectual Property Rights in relation to the Original Game anywhere in the world and has the full power to sublicense rights to publish the Original Game under this Agreement.

5. Licensee shall include a copyright notice in and for the Game, in the manner and places as agreed in writing by the Parties.

"© Wemade M Co., Ltd. All Rights Reserved. Published by [Licensee]"

Licensee shall include in and on all copies of the Game, the media and packages in which such copies are contained, the above copyright notice and/or other reasonable legends or notices in the form specified by Licensor.

Article 5 (Trademarks)

1. Licensor hereby grants to Licensee, upon the terms and conditions hereinafter specified, a non-assignable, revocable, non-exclusive license to use the Trademarks during such time as this Agreement subsists in connection with servicing, use, promotion, distribution and marketing of the Game.

2. Licensee may use the Trademarks on Licensee's letter headings, invoices and all advertising and promotional materials, for the service of the Game, in such form and in such manner as shall have been approved in advance in writing by Licensor.

3. Any such use of the Trademarks by Licensee shall be subject to Licensor's review and prior written approval; and clearly identify Licensor as an owner or an authorized entity of the Trademarks. If Licensor thereafter notifies Licensee that the proposed use of the Trademarks is inappropriate, Licensee will not publish or otherwise disseminate such materials until they have been modified to Licensor's satisfaction.

4. Licensee shall use the Trademarks only in a manner and form: (i) after making reasonable business efforts to maintain the high quality of the services and products offered under the Trademarks, including but not limited to, the compliance with such standards as Licensor may issue from time to time; (ii) consistent with the use of the Trademarks by Licensor and general industry standards; (iii) that protects Licensor's ownership interest therein; (iv) that complies with all applicable laws, rules and regulations; and (v) that conforms to Licensor's request, provided that such requests or procedures have been duly communicated to Licensee prior to the use of the Trademarks.

5. Licensee shall affix a trademark registration notice to the Game and on the advertising or promotional items used in conjunction with the Game. The symbol "TM" (in superscript or such convention be applicable to denote a trademark) shall be used for unregistered Trademarks and the symbol "®" shall be used for registered Trademarks. The specific location / placement of the same on any advertising, packaging, collateral or other material shall be mutually agreed upon by the Parties, each Party using reasonable efforts to reach agreement on the same promptly after the Effective Date.

6. Licensee shall ensure that the opening sequence of the Game includes a splash screen logo of Licensor in the form and according to the specifications acceptable to the Parties (as provided by **Appendix III** of this Agreement). The specific location / placement of the same shall be agreed by Parties promptly in writing after the Effective Date. Licensee shall further ensure that a logo of Licensor is prominently displayed in a manner and form acceptable to Licensor on (i) any website promoting the Game or otherwise relating to the Game that is hosted by or through Licensee or any of the sub-licensees pre-approved by Licensor, and (ii) any other advertisement, publication or other media as may be requested by Licensor from time to time.

7. Licensee acknowledges that the Trademarks related to the Original Game are the valuable property of Licensor or its licensor CQ and agrees that any enhancement in the value of such Trademarks through its provision and operation of the service and distribution and sale of the Game developed for dissemination to users shall inure only to the benefit of Licensor or its licensor CQ.

8. Without Licensor's prior written consent, Licensee and its Affiliates shall not, whether solely or jointly, register or seek to register any trademarks, service marks, or designs related to or associated with the title or brand of the Original Game (such as "*MIR M*" or "暮光双龙") or any brand similar to "*MIR M*" or "暮光双龙", whether it includes a name or mark likely to be confused with the Original Game or not, except to approved under the separate agreement between the Parties. The Parties agree that the right to register such trademarks, service marks, and designs shall remain with Licensor or its licensor CQ. In the event of

Licensee's registration or application for registration of any such trademark, service mark, or design in breach of this paragraph, Licensee shall, at no charge to Licensor, transfer and assign the same to Licensor or its designee on Licensor's demand.

Article 6 (Reserved Rights)

1. Licensor and/or its Affiliates shall have the exclusive right to publish the Game (in any languages including Chinese) outside of the Territory, including the right to grant sublicenses to any third party publisher(s). If Licensor or its Affiliate decides to publish the Game outside the Territory, there shall be no additional Minimum Payment or License Fee to Licensee, and a royalty fee (if any) to Licensee shall be discussed and agreed upon by the Parties.

Article 7 (Payment and Taxes)

[REDACTED]

Article 8 (Reporting)

1. Licensee shall provide the fully detailed revenue/sales report for the month (the "**Monthly Sales Report**") to Licensor for every month as of the 10th date of the next month from the relevant month. Licensee's obligation to provide to Licensor the Monthly Sales Report shall be effective from the Effective Date, Each payment of the Monthly Royalty Fee shall be accompanied by a Monthly Sales Report to which the Monthly Royalty Fee relates which includes a statement of the amount of the Monthly Gross Revenue, a calculation of the Monthly Royalty Fee, the exchange rate applied in connection with the calculation of the Monthly Royalty Fee and any other information reasonably requested by Licensor from time to time, shall include copies of all actual invoices from all the Platform Operators for such month, and shall be certified by the chief executive officer of Licensee. Licensor shall have the right to reject any Monthly Sales Report, invoices from the Platform Operators, and any other information provided by Licensee upon Licensor's request, unless such information have been endorsed in accordance with this provision.

2. In order to ensure the genuineness of such invoices submitted by the Platform Operators, Licensee shall procure the Platform Operators' cooperation with any request by Licensor to inspect or investigate such invoices.

3. Licensee shall immediately provide a copy of the executed version of the agreement entered into with each of the Platform Operators on Licensor's request; provided that, the main commercial terms of the agreements may be redacted, and even so only where and to the extent strictly necessary to comply with Licensee's legal obligations.

4. Licensee shall prepare and deliver to Licensor each day, by e-mail, online dashboard access, or by other measures approved by Licensor a fully detailed revenue/sales report in the format agreed by Licensor with the reference as **Appendix IV** (the "**Daily KPI Report**"). However, as the actual payment made to Licensor may not be exactly same as the Daily KPI Report and, upon Licensor's request, Licensee shall provide supporting documents explaining any differences between the Daily KPI Report and actual payment made.

5. Any breaches of Article 8.1 or 8.4, without any reasonable explanation acceptable to Licensor, shall be a material breach of this Agreement by Licensee and shall entitle Licensor to terminate this Agreement in accordance with Article 11.2(a) or otherwise. This is without prejudice to any other rights that Licensor may have under this Agreement, at law or in equity, including the right to claim for damages or losses suffered due to Licensee's failure to provide the Monthly Sales Report or the Daily KPI Report.

Article 9 (Records and Auditing)

1. Licensee shall keep all of its records, contractual and accounting documents and company documents in relation to its business and activities related to the revenue share of the Game under this Agreement in its

offices, during the License Term and for three (3) years after the termination or expiry of this Agreement. Licensor has the right to investigate and to conduct an audit of the total Billing System of Licensee related to the Game, at its request, every one (1) year during the License Term of this Agreement after the Effective Date. Licensee shall provide, promptly upon Licensor's request, all necessary documents and information to Licensor, including but not limited to IDs and passwords which give full access to any server, systems or databases (including the Billing System) related to the Game. Moreover, Licensee shall provide necessary technical support and protection for information and data back-up.

2. Licensor has the right to investigate and audit all of the company documents of Licensee and all servers and database related to Game (including the Billing System), once within the first six (6) months after the Effective Date and once each fiscal year during the License Term. For this purpose, Licensee shall provide the documents regarding the composition and the location of network devices, game servers and database of Game (collectively the "**Infrastructure**") promptly at Licensor's request and immediately notify Licensor of any changes or modification in the information on the Infrastructure. Moreover, if necessary, subject to the Licensee's regulatory compliance assessment, and with a prior written consent and approval executed by Licensee, Licensor may, at its own expense, install any device for audit in such Infrastructure (in this case, Licensee hereby agrees to permit such installation and use of the device, and refrains from taking any steps in interfering with its operation in any way), and Licensee shall actively cooperate with such preparation and audit process conducted by Licensor.

3. Licensor may, at its sole discretion and at any time during the License Term and for three (3) years after the termination or expiry of this Agreement, request an audit of Licensee by giving Licensee seven (7) days' notice in writing, for the purposes of verifying whether the payments were made accurately. Licensor may request in the course of such an audit, that Licensee produce relevant documents and allow the accountant or Licensor's personnel visit Licensee's office to review all relevant documents in relation with the Game (which include but are not limited to Licensee's balance sheets, income statements, surplus appropriation statements and statement of cash flows of the respective business operations).

4. Such investigation and audits shall be carried out during the normal business hours without interruption of Licensee's business operation. Licensee shall promptly respond to Licensor's audit requests and provide all documents necessary for the purpose of the audit. If the documents requested contain confidential information or information unrelated to the purpose of the audit, including information on other companies or games, Licensee shall provide the documents after redacting such information to the minimum extent necessary and with minimum delay.

5. Licensee shall use its best endeavours to assist and cooperate in the investigation and audit as required by Licensor or the accountant for such investigation and audit. Licensee's failure to assist and cooperate in the audit in a timely manner shall be a material breach of this Agreement by Licensee.

6. In the event the investigation or audit reveals underpayment by five percent (5%) or greater of the paid amount, such underpayment shall constitute a material breach of this Agreement by Licensee. In addition, Licensee shall also promptly pay to Licensor the unpaid amount together with interest as set forth in Article 7.5 of this Agreement.

7. The Parties agree and acknowledge that Licensee's failure to cooperate with the audit process and/or the underpayment by Licensee by five percent (5%) or greater of the paid amount under this Agreement in a timely manner will cause Licensor to incur significant losses, including losses arising out of the loss of use of the sums outstanding, and/or the loss of Confidential Information relating to the operation of the Game, which are difficult to quantify and may harm Licensor's legitimate interest. Following mutual discussions between the Parties in good faith, Licensee agrees that it is the commercial intention of both Parties that Licensee shall be liable to pay such amounts in the event of a breach of this Article 9, and covenants that it shall not challenge the validity of this Article thereafter.

8. Licensee shall ensure that its accountant and/or personnel shall keep all the information acquired from such investigation and audit confidential, and disclose to Licensor the information to the extent necessary to ascertain the calculation of the Monthly Royalty Fees.

Article 10 (Representations, Warranties and Covenants)

1. In consideration of the license granted by Licensor under this Agreement, Licensee represents and warrants to Licensor as follows:

   (a) Licensee acknowledges that Licensor holds or legally authorized by WEMADE M and its licensor CQ, all rights, including but without limitation to copyright, Trademarks, patents, associated rights, title and interest in and to the Licensed IP and the Game.

   (b) Licensee shall not develop any other game, including any sequel, spin-off or derivative of the Game, which uses any of the Licensed IP, by using any part of the source code of the Game during and after the License Term without the prior written consent of Licensor.

   (c) The service of the Game (including updated version of the Game and the New Version of the Game) as contemplated hereunder, will not violate or infringe any patent, copyright, trademark, and any Intellectual Property Right of any third party.

   (d) Licensee and its Affiliates have not, currently do not and will not during the License Term, (i) infringe any Intellectual Property Rights or other rights of Licensor, and/or (ii) obstruct or frustrate the performance of this Agreement.

   (e) The Game, or any game developed or published by Licensee and/or its Affiliates in accordance with the terms of this Agreement, shall not include any sequel, spin-off or derivative thereof unless otherwise approved by Licensor in writing.

   (f) Neither the execution of this Agreement by Licensee nor the exploitation of the rights or duties contemplated hereby will violate any applicable laws or regulations.

2. Licensor has the right to license the Licensed IP as of the Execution Date, and shall be fully responsible for any and all legal disputes or issues that may arise after the Execution Date with regards to the Licensed IP. Licensor hereby represents that any rights Licensor grants to Licensee in this Agreement shall not violate or infringe any patent, copyright, trademark, and any Intellectual Property Right of any third party.

3. Licensor shall, at its own cost and expense, defend, indemnify, and hold Licensee harmless from and against any claim ("**IP Claim**") brought by a third party against Licensee, losses (including goodwill loss), damages, liabilities, costs, judgement, fines, orders and expenses (including but not limited to any investigative legal and other expenses) incurred in connection with legal disputes or issues that may arise after the Execution Date with regards to Licensor's right to license the Licensed IP, subject at all times to (*i*) Licensee's compliance with Article 10.8, and (*ii*) Licensee engaging only such legal representation designated or approved by Licensor. In the event Licensee fails to engage such legal representation designated or approved by Licensor, Licensor shall not be held liable for any challenge by the third party, or for any IP Claim set forth in this Article 10.3.

4. If any dispute or claim is brought by a third party in respect of the Licensed IP, and the Game is forced to be terminated in the Territory as a result of a court's final and non-appealable decision from the relevant authority in the Territory made in respect of that dispute or claim, the following shall apply:

   (a) If the Game is forced to be terminated in the Territory after the Commercial Launch date of the Game, Licensor shall compensate Licensee for all the losses arising out of the termination, including a refund of the Minimum Payment less any deductions Licensee has already made pursuant to Article 7.3.

(b) If the Game is forced to be terminated in the Territory prior to the Commercial Launch date of the Game, Licensor shall compensate Licensee for all the losses arising out of the termination, including a refund of the full amount of License Fee and the Minimum Payment that actually been paid by Licensee.

(c) In the event that the deductions made by Licensee pursuant to Article 7.3 equal to the Minimum Payment paid by Licensee, Licensor shall not be required to refund any part of License Fee (18 million RMB) and/or Minimum Payment (42 million RMB) to Licensee.

(d) All payments must be made within 30 days from the date the court's final decision or the administrative order becomes effective.

Any refund prescribed in this Article 10.4 herein shall not, without any prejudice, affect Licensee exerting its rights under Article 10.3.

5. If there is a delay in the payment of any sum under Article 10.3, Licensee shall be entitled to request payment of interest on any unpaid amount from Licensor, and interest shall accrue daily on any and all such unpaid amounts. The interest payable to Licensee shall be 5.33% per annum. The payment of such interest is without prejudice to Licensee's rights to claim compensation for any damage or loss suffered due to the termination of servicing the Game by the final decision of the court or the administrative order.

6. Notwithstanding the foregoing provisions in this Article, Licensor shall not be liable for any and all losses, damages, liabilities, costs, and expenses incurred by Licensee from or in connection with the Trademarks which are not registered in the name of Licensor or its licensor during the term of this Agreement, or of any modifications of the Game developed by (or on behalf of, or for the benefit of) Licensee.

7. If a claim for infringement or any other claims are brought against Licensor in connection with the Game developed through anything other than the use of the Licensed IP, Licensee shall, at its own costs and expenses, defend, indemnify, and hold harmless Licensor from and against any and all losses, damages, liabilities, costs, and expenses incurred by Licensor.

8. The indemnity provided by Licensor under Article 10.3 is subject to the following conditions:

(a) The IP Claim must not have been caused or contributed to by any of the following: (i) use of the Licensed IP in any manner which is in breach of this Agreement, (ii) continued use of the Licensed IP notwithstanding a notice by Licensor informing Licensee to cease use of any part of the same, (iii) the combination of the Licensed IP with any third party products, software, content, or elements not furnished by Licensor, or where the same is made, developed or furnished by Licensee; (iv) any alteration by (or on behalf of, or for the benefit of) Licensee, or (v) Licensee's activities after Licensor has notified Licensee that Licensor believes that such activities may result in infringement;

(b) Licensee must have promptly provided full notice and particulars of any IP Claim to Licensor, and surrendered full and exclusive control of the conduct of any defence of or response to the IP Claim to Licensor without reservation or qualification; and

(c) Except otherwise stipulated by the applicable laws or ordered by local authorities, Licensee must not have entered into any settlement, made any admission, or otherwise acted in a manner prejudicial to the defence of or response to the IP Claim at any time.

Article 11 (Term, Events of Default, and Termination)

1. The term of this Agreement shall begin on the Execution Date, and end five (5) years from the Commercial Launch date (the "**Initial Term**"), unless terminated at an earlier time pursuant to this Agreement. This

Agreement may be extended for another one (1) year (the "**Extended Term**") if such extension is not objected to in writing by either Party within three (3) months prior to the expiration of the then-current term.

2. **Licensee's Default**. Licensee shall be deemed to be in default of the performance of its obligations under this Agreement in the following events:

   (a) If Licensee fails to make payment of any sums due under this Agreement to Licensor for more than thirty (30) days from the date such obligation fell due;

   (b) If Licensee fails to provide any report or other information required to be provided to Licensor pursuant to Article 8 for more than thirty (30) days from the date such obligation fell due; and/or

   (c) If Licensee fails to provide reasonable cooperation to Licensor for the purposes of the audit pursuant to Article 9.

   Upon the occurrence of a default by Licensee, whether or not the default is continuing, Licensor may by notice in writing or e-mail to Licensee declare that this Agreement be terminated immediately. Licensor shall be entitled to demand the immediate payment and other amounts accruing under this Agreement, and to enforce forthwith all its rights under this Agreement without further reference to Licensee. In addition, upon the occurrence of a default as set forth in Article 11.2 by Licensee, Licensor shall not be obliged to return the License Fee to Licensee.

3. Notwithstanding the foregoing, Licensor shall be entitled (but not obliged) to send a written termination notice to Licensee for the failure to report or pay the Monthly Royalty Fee and/or any other payment due to Licensor in a timely fashion. If Licensee could not take effective remedial measures in sixty (60) days after receiving the termination notice, this Agreement shall be automatically terminated sixty (60) days from the date of such notice.

4. For the avoidance of doubt, Articles 7.9 and 11.2 do not apply to delays in payment attributable to governmental currency controls or delays in payment due to Licensor's fault.

5. **Events of Default**. Each of the following events shall be an Event of Default:

   (a) If one Party commits or threatens to commit a breach or does not perform or comply with any material provision, representation or warranty under this Agreement;

   (b) If one Party commits a breach of any of the terms under this Agreement, and such breach is not remedied within sixty (60) days of the other Party giving written notice to the Party in breach for the breach to be remedied, or if such breach is not capable of remedy;

   (c) If any corporate action, legal proceedings or other corporate procedure (including the making of an application or order, the commencement of proceedings, the calling of a meeting, or the passing of a resolution, other than those which are frivolous or vexatious and discharged within 30 days of its commencement (or such longer period as the other Party may consent to)) taken by a Party, with a view to:

      (i) a suspension of payments, a moratorium of any indebtedness, liquidation, winding up, dissolution, administration reorganization (by way of a voluntary arrangement, scheme of arrangement or otherwise) of a Party;

      (ii) a proposal or the intended proposal of a composition, compromise, assignment or arrangement with any creditor of a Party; or

(iii) the appointment of a liquidator, receiver, administrative receiver, administrator, judicial manager or other similar officer (including any similar officer appointed in an interim or provisional capacity) in respect of a Party, or of their respective assets.

(d) If anything analogous to the events referred to in Article 11.5(c), or which has a substantially similar effect, occurs with respect to a Party under the laws of any jurisdiction in which that Party is incorporated, domiciled, resident, carries on business, has assets, or has any other jurisdictional connections;

(e) If one Party fails to perform its obligations hereunder due to seizure or provisional seizure of that Party's property or assets so as to render performance of this Agreement impossible; and/or

(f) If one Party is or becomes incapable for a period of ninety (90) days of performing any of its said obligations under this Agreement because of any Force Majeure event (defined hereinafter);

Upon the occurrence of an Event of Default, whether or not the Event of Default is continuing, the Party not in breach may by notice in writing or e-mail to the other Party in breach declare that this Agreement be terminated immediately forthwith.

6. This Article 11 shall not affect any claims for damages.

7. Consequences of Termination.

(a) Upon termination or expiry of this Agreement for any reason:

(i) All of the licenses granted under this Agreement shall immediately cease, and Licensee shall immediately cease, and cause all Platform Operators to cease, any use of the Licensed IP, including without limitation, the Game and the Trademarks.

(ii) Licensee and/or any third party publisher approved by Licensor shall terminate the publication and service of the Game, save that Licensee may, for a phase-out period of sixty (60) days (or such longer period as Licensor may agree to) from the date of termination or expiry of this Agreement ("**Phase-Out Period**") continue to make the Game available to end-users for the limited purposes of:

(A) Informing the end-users of the termination of the Game;

(B) Winding down the distribution and operation of the Game; and

(C) Carrying out any refunds as may be required under the applicable laws.

(iii) Licensee shall forthwith terminate all marketing and sale activities relating to the Game.

(iv) Each Party shall forthwith return to the Party who disclosed such information or destroy, if applicable, all copies of Confidential Information of the disclosing Party and any material relating to such Confidential Information, which remain in its possession,.

(b) The refunds to end users shall be borne by the Parties pursuant to the Monthly Royalty Fee rate set forth in Article 7.3, respectively.

(c) Licensee shall immediately pay all outstanding liabilities to Licensor within sixty (60) days following (i) the expiration of the Phase-Out Period and (ii) the receipt of relevant invoice. If such payment is delayed without justifiable cause, Licensee shall pay to Licensor, in addition to the unpaid liabilities as set forth in this Agreement and an additional delay interest as mentioned in Article 7.5.

8. This Agreement shall be in full force and effect during the License Term, provided however that this Article, Articles 4.2, 6, 7.5, 7.7, 7.8, 7.9, 9, 10.1, 11.2, 11.7, 12, 13, 14 and 15 shall survive the expiry and termination of this Agreement.

Article 12 (Confidentiality)

1. Each Party shall, during the License Term and three (3) year(s) after the expiry or termination of this Agreement, keep the Confidential Information strictly confidential and shall not disclose it to third parties (including but not limited to the subsidiaries, parent or Affiliates or any subcontractors of each Party) without the prior written permission of the other Party, except to the extent required by any applicable law. The Confidential Information received hereunder shall not be used for any purpose other than as set out in this Agreement, save where the prior written permission of the other Party has been obtained for such use.

2. Each Party shall restrict access to Confidential Information received from the other Party to only those of its employees to whom such access is necessary for carrying out the obligations contemplated in this Agreement and shall advise such employees of the obligations assumed herein.

3. Each Party shall implement reasonable procedures to prohibit the unauthorized disclosure or misuse of any Confidential Information received from the other Party, and shall use at least the same procedures and degree of care that it uses to prevent the disclosure of its own confidential information of like importance to prevent the disclosure of the other Party's Confidential Information, but in no event less than reasonable care.

Article 13 (Indemnification)

1. Except for the IP Claim as set forth in Article 10.3, each Party (the "**Indemnifying Party**") agrees to indemnify and hold harmless the other Party, and its officers, shareholders, members, managers, agents, and employees, from and against any and all losses, damages, liabilities, costs, judgments, expenses, and fees (including legal fees reasonably incurred) arising out of the Indemnifying Party's breach of this Agreement.

Article 14 (Guarantee)

1. Guarantor guarantees that Licensee shall (a) act in accordance with, and abide by, the terms and conditions of this Agreement; (b) fully and punctually pay all principal and interest of License Fee and any other payment in accordance with the terms and conditions of this Agreement, including without limitation Article 7, Article 8, Article 9 and Article 11 thereof; and (c) fully and punctually perform all obligations, covenants and liability under this Agreement.

2. Notwithstanding anything to the contrary herein, Guarantor and Licensee shall be jointly and severally liable for all rights and obligations under this Agreement.

3. Guarantor represents and warrants to Licensor that:

   (a) This Agreement constitutes legal, valid and binding obligations of Guarantor in accordance with its terms; and

   (b) The execution and delivery by Guarantor of this Agreement, and the performance of its obligations under this Agreement, do not and will not conflict with or constitute a default under any provision of: any agreement or instrument to which Guarantor is a party; the constitutional documents of Guarantor; or any law, lien, lease, order, judgment, award, injunction, decree, ordinance or regulation or any other restriction of any kind or character to which Guarantor is subject.

Article 15 (Miscellaneous Provisions)

1. **Entire Agreement**. This Agreement constitutes the entire understanding and agreement among the Parties and Guarantor and supersedes and replaces any and all prior or contemporaneous, oral or written, representations, negotiations, communications, understandings and agreements among the Parties and Guarantor with respect to the subject matter hereof. The Parties and Guarantor further agree that there have been no other representations made to the other Party, save for the representations contained under Article 10 of this Agreement, and that in entering into this Agreement, the Parties and Guarantor had not relied on any representation not already incorporated into this Agreement. The Parties and Guarantor further covenant and undertake that they shall not take any steps to render void or to set aside this Agreement, and/or to bring any claims against the other Party for any representation made prior to the Execution Date that are not incorporated into this Agreement.

2. **Modifications**. This Agreement shall not be modified, amended, cancelled or altered in any way, and may not be modified by custom, usage of trade or course of dealing, except by an instrument in writing signed by the Parties and Guarantor.

3. **Waiver**. The performance of any obligation required by the Party hereunder may be waived only with a written waiver signed by the other Party, and such waiver shall be effective only with respect to the specific obligation described. The waiver by either Party of a breach of any provision of this Agreement by the other Party shall not operate or be construed as a waiver of any subsequent breach of the same provision or another provision of this Agreement.

4. **Severability**. If any provision in this Agreement is or becomes invalid, illegal or unenforceable in any respect pursuant to any executive, legislative, judicial or other decree or decision under any law of any jurisdiction, the legality, validity or enforceability of the remaining provisions shall not be in any way affected or impaired.

5. **Governing Law**. This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by the laws of Singapore.

6. **Arbitration**. Any dispute arising out of or in connection with this Agreement, including any questions regarding its existence, validity or termination, shall be submitted to and finally settled by the International Court of Arbitration of the International Chamber of Commerce ("**ICC**") in Singapore under the Rules of Arbitration of the International Chamber of Commerce ("**ICC Rules**") for the time being in force. The arbitration shall be conducted in the English language by three (3) arbitrators who shall be appointed in accordance with the ICC Rules. The award made by the arbitrators shall be final and binding upon the Parties and Guarantor and may be enforced in any court of competent jurisdiction.

7. **Assignment**. Licensee shall have the right, power, or authority to assign this Agreement or any of its rights hereunder to any third party with prior written consent of Licensor. Any assignment by Licensee without Licensor's prior written consent shall be null and void. Licensor shall have the right, power, or authority to assign this Agreement or any of its rights hereunder to any third party without the consent of Licensee. Subject to the restrictions on assignment set forth herein, this Agreement shall be binding upon and shall inure to the benefit of the Parties and Guarantor and their respective successors and permitted assigns.

8. **Force Majeure**. Neither Party shall be liable to the other Party for non-performance or delay in performance of any of its obligation (other than the payment obligation of Licensee) under this Agreement due to causes reasonably beyond its control including but not limited to fire, flood, strikes, labor troubles or other industrial disturbances, unavoidable accidents, governmental regulations, acts of God, riots, and insurrections (each a "**Force Majeure Event**"). Upon the occurrence of such a Force Majeure Event, the affected Party shall exercise its best efforts permissible under the circumstances to immediately notify the other Party with as much detail as possible and shall promptly inform the other Party of any further developments. Immediately after the cause is removed, the affected Party shall perform such obligations with all due speed unless this Agreement is previously terminated in accordance with Article 11.

9. **Disclaimer of Agency**. The Parties have entered into this Agreement as independent contractors. Nothing in this Agreement shall constitute a partnership between the Parties hereto nor constitute one as the agent of the other.

10. **Fees, Expenses and Taxes**. Each party shall be responsible for the payment of its own costs, expenses and taxes, including legal fees, taxes and expenses, in connection with the negotiation and execution of this Agreement. For the avoidance of doubt, any payment made from Licensee to Licensor under this Agreement shall be made free and clear of any deduction or withholding for or on account of any VAT (增值税) and any surtax (which uses the VAT (增值税) as a basis of assessment) that may be levied on payments made by Licensee to Licensor.

11. **Counterparts**. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will take effect as one and the same instrument. The Parties and Guarantor will deliver original execution copies of this Agreement to one another as soon as practicable following execution.

12. **Remedies Cumulative**. Except as expressly set forth herein, the remedies conferred upon any of the Parties and Guarantor by this Agreement is intended to be cumulative and not exclusive of any other right or remedies given hereunder or now or hereafter existing at law or in equity.

13. **Language**. Unless otherwise agreed by the Parties and Guarantor, the language for any formal correspondences among the Parties and Guarantor and any documentation exchanged under or in connection with this Agreement shall be in English.

14. **Headings**. Headings are used in this Agreement for reference only and will not be considered when interpreting this Agreement.

15. **Notices**. All notices, demands, requests, consents or other communications hereunder shall be in writing and shall be given by personal delivery, by express courier, by registered mail with return receipt requested, by facsimile, or by e-mail, to the parties at the addresses shown below, or to such other address as may be designated by written notice given by either party to the other party. Unless conclusively proved otherwise, all notices, demands, requests, consents or other communications hereunder shall be deemed effective upon delivery if personally delivered, three (3) days after dispatch if sent by express courier, ten (10) days after dispatch if sent by registered or certified mail with return receipt requested, or confirmation of the receipt of the facsimile or e-mail by the recipient if sent by facsimile or e-mail.

    If to Licensor:

    Wemade Co., Ltd. (주식회사 위메이드)

    E-mail address:
    [REDACTED]
    OR
    Address:
    [REDACTED]If to Licensee:

    China Crown Technology Limited
    E-mail address:
    [REDACTED]
    OR
    Address: 17 Floor, No. 130 Wu Song Road
    Hong Kou District, Shanghai 200080

If to Guarantor:

The9 Limited
E-mail address:
[REDACTED]
OR
Address: 17 Floor, No. 130 Wu Song Road
Hong Kou District, Shanghai 200080

16. **No Adverse Construction**. No provision of this Agreement shall be construed adversely against a Party solely on the ground that that party was responsible for the preparation of this Agreement or that provision.

17. **Day count convention.** Any interest accruing under this Agreement will accrue from day to day, and is calculated on the basis of the actual number of days elapsed and a year of 365 days.

18. **Certificates and determinations.** Any certification or determination by Licensor of a rate or amount due under this Agreement is, in the absence of manifest clerical or computation error, conclusive evidence of the matters to which it relates.

[The Remainder of This Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the Execution Date.

LICENSOR:

Wemade Co., Ltd. (주식회사 위메이드)

By: /s/ Park, Kwan Ho
Name: Park, Kwan Ho
Title: CEO

LICENSEE:

China Crown Technology Limited

By: /s/ George Lai
Name: George Lai
Title: Representative

GUARANTOR:

The9 Limited

By: /s/ George Lai
Name: George Lai
Title: Representative

Exhibit 8.1

List of Significant and Other Principal Subsidiaries and Variable Interest Entity of the Registrant

Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation
China The9 Interactive Limited	Hong Kong
9City Asia Limited	Hong Kong
China Crown Technology Limited	Hong Kong
Hui Ling Computer Technology Consulting (Shanghai) Co., Ltd	China
Jiu Tuo (Shanghai) Information Technology Ltd.	China
Shanghai Jiugang Electronic Technology Co., Ltd.	China
NBTC Limited	Hong Kong
Hangzhou Niuxin Technology Co., Ltd.	China

Variable interest entity and its subsidiaries

Name of Variable Interest Entity and its Subsidiary	Jurisdiction of Incorporation
Shanghai The9 Information Technology Co., Ltd.	China

Exhibit 11.2

THE9 LIMITED

AMENDED AND RESTATED STATEMENT OF POLICIES GOVERNING MATERIAL NON-PUBLIC INFORMATION AND THE PREVENTION OF INSIDER TRADING

(AS ADOPTED BY THE BOARD OF DIRECTORS OF THE9 LIMITED ON NOVEMBER 22, 2023)

This Amended and Restated Statement of Policies Governing Material Non-Public Information and the Prevention of Insider Trading (this "**Statement**") applies to all directors, officers, employees and consultants of The9 Limited and its subsidiaries and affiliated entities (collectively, the "**Company**").

This Statement consists of three sections: Section I provides an overview; Section II sets forth the Company's policies prohibiting insider trading; and Section III explains insider trading.

I. SUMMARY

Preventing insider trading is necessary to comply with United States securities laws and to preserve the reputation and integrity of the Company, as well as that of all persons affiliated with it. "Insider trading" occurs when any person purchases or sells any securities while in possession of inside information relating to the securities. As explained in Section III below, "inside information" is information which is considered to be both "material" and "non-public."

The Company considers strict compliance with the policies set forth in this Statement (collectively, the "**Policy**") to be a matter of utmost importance. Violation of the Policy could cause extreme reputational damage and possible legal liability to you and the Company. Knowing or willful violations of the letter or spirit of the Policy will be grounds for immediate dismissal from the Company. Violation of the Policy might expose the violator to severe criminal penalties, as well as civil liability to any person harmed by the violation. The monetary damages flowing from a violation could be multiple times the profit realized by the violator, not to mention the attorney's fees of the persons harmed.

This Statement applies to all directors, officers, employees and consultants of the Company and extends to all of such persons' activities within and outside their duties at the Company. Every director, officer, employee and consultant of the Company must review this Statement, and when requested by the Company, must execute and return the Certificate of Compliance attached hereto to the Compliance Officer for the Company (the "**Compliance Officer**") within seven (7) days after receiving the request. Questions regarding this Statement should be directed to the Compliance Officer by e-mail at jiwei@corp.the9.com.

II.
POLICIES PROHIBITING INSIDER TRADING

For purposes of this Statement, the terms "purchase" and "sell" of securities exclude the acceptance of options or other share-based awards granted by the Company and the exercise of options or vesting of other share-based awards, if applicable, that does not involve the sale of securities. Among other things, the cashless exercise of options does involve the sale of securities and therefore is subject to the policies set forth below. The Policy does not apply to the exercise of a tax withholding right pursuant to which you elect to have the Company withhold ordinary shares or American Depositary Shares ("**ADSs**") subject to an option or other award to satisfy tax withholding requirements.

A. ***No Trading*** – **No director, officer, employee or consultant of the Company may purchase or sell any ADSs, ordinary shares or other securities of the Company or enter into a binding security trading plan in compliance with Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended (a "Trading Plan") while in possession of material non-public information relating to the Company or its ADSs, ordinary shares or other securities (the "Material Information")**.

In the event that the Material Information possessed by you relates to the ADSs or other securities of the Company, the above policy will require waiting for at least forty-eight (48) hours after public disclosure of the Material Information by the Company, which forty-eight (48) hours shall include in all events at least one full Trading Day on the Nasdaq Stock Market (the "**Nasdaq**") following such public disclosure. The term "**Trading Day**" is defined as a day on which the Nasdaq is open for trading. Except for public holidays in the United States, the Nasdaq's regular trading hours are from 9:30 a.m. to 4:00 p.m., New York City time, Monday through Friday.

In addition, no director, officer, employee or consultant of the Company may purchase or sell any securities of the Company or enter into a Trading Plan, without the prior clearance by the Compliance Officer, during any period designated as a "limited trading period" by the Company, regardless of whether such director, officer, employee or consultant possesses any Material Information.

Furthermore, all transactions in the securities of the Company (including without limitation, acquisitions and dispositions of the ADSs, the sale of ordinary shares issued upon exercise of options or vesting of other share-based awards and the execution of a Trading Plan, but excluding the acceptance of options or other share-based awards granted by the Company and the exercise of options or vesting of other share-based awards that does not involve the sale of securities) by directors, officers and key employees designated by the Company from time to time must be pre-approved by the Compliance Officer.

Please see Section III below for an explanation of the Material Information.

B. ***Trading Window*** – **Assuming none of the "no trading" restrictions set forth in Section II-A above applies, no director, officer, employee or consultant of the Company may purchase or sell any securities of the Company or enter into a Trading Plan other than during a Trading Window.**

A "**Trading Window**" is the period in any fiscal annum of the Company commencing at the close of business on the second Trading Day following the date of the Company's public disclosure of its financial results for the prior year and ending on December 31, or earlier date determined by the Company, as the case may be.

In other words,

(1) beginning on January 1 of each year, or such date in December of the preceding year, as may be determined by the Company, no director, officer, employee or consultant of the Company may purchase or sell any securities of the Company or enter into a Trading Plan until the close of business on the second Trading Day following the date of the Company's public disclosure of its financial results for the fiscal year ended on December 31 of the prior year.

If the Company's public disclosure of its financial results for the prior period occurs on a Trading Day more than four hours before the Nasdaq closes, then such date of disclosure shall be considered the first Trading Day following such public disclosure.

Please note that trading in any securities of the Company during the Trading Window is not a "safe harbor," and all directors, officers, employees and consultants of the Company should strictly comply with the Policy.

When in doubt, do not trade! Check with the Compliance Officer first.

Notwithstanding the foregoing, sale of securities of the Company pursuant to an existing Trading Plan which was entered into in accordance with the Policy and in compliance with applicable law is not subject to the restrictions on trading in Sections II-A and II-B above.

C. ***No Tipping*** – No director, officer, employee or consultant of the Company may directly or indirectly disclose any Material Information to anyone who trades in securities (so-called "tipping"), regardless of whether the person or entity who receives the information, the "tippee," is related to you and regardless of whether you receive any monetary benefit from the tippee.

D. ***Confidentiality*** – No director, officer, employee or consultant of the Company may communicate any Material Information to anyone outside the Company under any circumstances unless approved by the Compliance Officer in advance, or to anyone within the Company other than on a need-to-know basis.

E. ***No Comment*** – No director, officer, employee or consultant of the Company may discuss any internal matters or developments of the Company with anyone outside the Company, except as required for the performance of regular corporate duties. Unless you are expressly authorized to the contrary, if you receive any inquiries about the Company or its securities by the financial press, research analysts or others, or any requests for comments or interviews, you are required to decline comment and direct the inquiry or request to the Company's Chief Financial Officer, who is responsible for coordinating and overseeing the release of information of the

Company to the investing public, analysts and others in compliance with applicable laws and regulations.

F. ***Corrective Action*** – If you become aware that any potential Material Information has been or may have been inadvertently disclosed, you must notify the Compliance Officer immediately so that the Company can determine whether or not corrective action, such as general disclosure to the public, is warranted.

G. ***Rule 10b5-1 Trading Plans –*** Rule 10b5-1 provides an affirmative defense against insider trading liability under U.S. securities laws. A person subject to this Policy can rely on this defense and trade in the Company's securities, regardless of their awareness of inside information, if the transaction occurs pursuant to a pre-arranged written Trading Plan that was entered into when the person was not in possession of material non-public information and that complies with the requirements of Rule 10b5-1.

Anyone subject to this Policy who wishes to enter into a Trading Plan must submit the Trading Plan to the Compliance Officer for approval at least five business days prior to the planned entry into the Trading Plan. Trading Plans may not be adopted by a person when he or she is in possession of material non-public information about the Company or its securities and must comply with the requirements of Rule 10b5-1 (including specified waiting periods and limitations on multiple overlapping plans and single trade plans).

Once a Trading Plan is adopted, you must not exercise any subsequent influence over the amount of securities to be traded, the price at which they are to be traded or the date(s) of the trade(s). You may amend or replace a Trading Plan only during periods when trading is permitted in accordance with this Policy, and you must submit any proposed amendment or replacement of a Trading Plan to the Compliance Officer for approval prior to adoption. You must provide notice to the Compliance Officer prior to terminating a Trading Plan. You should understand that a modification or termination of a Trading Plan may call into question your good faith in entering into and operating the plan (and therefore may jeopardize the availability of the affirmative defense against insider trading allegations).

III.
EXPLANATION OF INSIDER TRADING

As noted above, "**insider trading**" refers to the purchase or sale of a security while in possession of "material" "non-public" information relating to the security. "Securities" include not only stocks, bonds, notes and debentures, but also options, warrants and similar instruments. "Purchase" and "sale" are defined broadly under the U.S. federal securities laws. "Purchase" includes not only the actual purchase of a security, but any contract to purchase or otherwise acquire a security. "Sale" includes not only the actual sale of a security, but any contract to sell or otherwise dispose of a security. These definitions extend to a broad range of transactions, including conventional cash-for-stock transactions, the grant and exercise of stock options and acquisitions and exercises of warrants or puts, calls or other options related to a security. It is generally understood that "**insider trading**" includes the following:

- trading by insiders while in possession of material non-public information;

- trading by persons other than insiders while in possession of material non-public information where the information either was given in breach of an insider's fiduciary duty to keep it confidential or was misappropriated; and

- communicating or tipping material non-public information to others, including recommending the purchase or sale of a security while in possession of material non-public information.

As noted above, for purposes of this Statement, the terms "purchase" and "sell" of securities exclude the acceptance of options or other share-based awards granted by the Company and the exercise of options or vesting of other share-based awards that does not involve the sale of securities. Among other things, the cashless exercise of options does involve the sale of securities and therefore is subject to the Policy.

What Facts are Material?

The materiality of a fact depends upon the circumstances. A fact is considered "material" if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security or where the fact is likely to have a significant effect on the market price of the securities. Information may be material even if it relates to future, speculative or contingent events and even if it is significant only when considered in combination with publicly available information. Material information can be positive or negative and can relate to virtually any aspect of a company's business or to any type of security, debt or equity.

Examples of material information include (but are not limited to) information concerning:

- dividends;

- corporate earnings or earnings forecasts, or changes to previously released earnings announcements or guidance;

- changes in financial condition or asset value;

- negotiations for the mergers or acquisitions or dispositions of significant subsidiaries or assets;

- significant new contracts or the loss of a significant contract;

- significant new products or services;

- significant marketing plans or changes in such plans;

- capital investment plans or changes in such plans;

- material litigation, administrative action or governmental investigations or inquiries about the Company, any of its affiliated companies, or any of its officers or directors;

- significant borrowings or financings;

- defaults on borrowings;

- new equity or debt offerings;
- adoption of repurchase plans or amendment of existing repurchase plans;
- significant personnel changes;
- a cybersecurity incident or risk that may adversely impact the Company's business, reputation or share value;
- changes in accounting methods and write-offs; and
- any substantial change in industry circumstances or competitive conditions which could significantly affect the Company's earnings or prospects for expansion.

A good general rule of thumb: **when in doubt, do not trade**.

What is Non-public?

Information is "**non-public**" if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as Dow Jones, Reuters Economic Services, The Wall Street Journal, Bloomberg, Associated Press, PR Newswire or United Press International. Circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination.

In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow approximately forty-eight (48) hours following publication as a reasonable waiting period before such information is deemed to be public.

Who is an Insider?

"**Insiders**" include directors, officers, employees and consultants of a company and anyone else who has material non-public information about a company. Insiders have independent fiduciary duties to their company and its shareholders not to trade on material non-public information relating to the company's securities. All directors, officers, employees and consultants of the Company are considered insiders with respect to material non-public information about business, activities and securities of the Company. The directors, officers, employees and consultants of the Company may not trade the Company's securities while in possession of material non-public information relating to the Company or tip (or communicate except on a need-to-know basis) such information to others.

It should be noted that trading by household members of a director, officer, employee or consultant can be the responsibility of such director, officer, employee or consultant under certain circumstances and could give rise to legal and Company-imposed sanctions.

Trading by Persons Other than Insiders

Insiders may be liable for communicating or tipping material non-public information to a third party (a "**tippee**"), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including

tippees who trade on material non-public information tipped to them or individuals who trade on material non-public information which has been misappropriated.

Tippees inherit an insider's duties and are liable for trading on material non-public information tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the material non-public information along to others who trade on such information. In other words, a tippee's liability for insider trading is no different from that of an insider. Tippees can obtain material non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

Penalties for Engaging in Insider Trading

Penalties for trading on or tipping material non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in the unlawful conduct and their employers. The United States Securities and Exchange Commission and the United States Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the U.S. federal securities laws include:

- administrative sanctions;
- sanctions by self-regulatory organizations in the securities industry;
- civil injunctions;
- damage awards to private plaintiffs;
- disgorgement of profits gained by the violator;
- civil fines for the violator of up to three times the amount of profit gained or loss avoided by the violator;
- civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the greater of approximately US$2,500,000 or three times the amount of profit gained or loss avoided by the violator;
- criminal fines for individual violators of up to US$5,000,000 (US$25,000,000 for an entity); and
- jail sentences of up to 20 years.

In addition, insider trading could result in serious sanctions by the Company, including immediate dismissal. Insider trading violations are not limited to violations of the U.S. federal securities laws. Other U.S. federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the Racketeer Influenced and Corrupt Organizations Act (RICO), also may be violated upon the occurrence of insider trading.

Material Non-public Information Regarding Other Companies

This Policy and the guidelines described herein also apply to material non-public information relating to other companies, including the Company's customers, vendors and

suppliers ("**Business Partners**"), particularly when that information is obtained in the course of employment with, or other services performed by, or on behalf of, the Company. Civil and criminal penalties, and discipline, including termination of employment for cause, may result from trading on material non-public information regarding the Company's Business Partners. Each individual should treat material non-public information about the Company's Business Partners with the same care required with respect to information related directly to the Company.

Individual Responsibility

Each person subject to this Policy is individually responsible for complying with this Policy and ensuring the compliance of any family members, such as spouses, minor children, adult family members who share the same household, and any other person or entity whose securities trading decisions are influenced or controlled by the person whose transactions are subject to this Policy. Accordingly, you should make your family and household members aware of the need to confer with you before they trade in the Company's securities, and you should treat all such transactions for the purposes of this Policy and applicable securities laws concerning trading while in possession of material non-public information as if the transactions were for your own account.

CERTIFICATION OF COMPLIANCE

TO: Compliance Officer

RE: AMENDED AND RESTATED STATEMENT OF POLICIES OF THE9 LIMITED GOVERNING MATERIAL NON-PUBLIC INFORMATION AND THE PREVENTION OF INSIDER TRADING

I have received, reviewed, and understand the policies set forth in the above-referenced Amended and Restated Statement of Policies (such policies, as amended from time to time, the "**Policy**") and hereby undertake, as a condition to my present and continued employment at or association with The9 Limited or any of its subsidiaries or affiliated entities, to comply fully with the Policy.

I hereby certify that I have adhered to the Policy during the time period that I have been employed by or associated with The9 Limited or any of its subsidiaries or affiliated entities.

I hereby undertake to adhere to the Policy in the future.

Signature: _____
Name: _____
ID Card Number: _____
Title: _____
Date: _____

Exhibit 12.1

Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jun Zhu, certify that:

1. I have reviewed this annual report on Form 20-F of The9 Limited. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 28, 2025

By: /s/ Jun Zhu
Name: Jun Zhu
Title: Chief Executive Officer

Exhibit 12.2

Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, George Lai, certify that:

1. I have reviewed this annual report on Form 20-F of The9 Limited (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 28, 2025

By: /s/ George Lai
Name: George Lai
Title: Chief Financial Officer

Exhibit 13.1

Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of The9 Limited (the "Company") on Form 20-F for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jun Zhu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2025

By: /s/ Jun Zhu
Name: Jun Zhu
Title: Chief Executive Officer

Exhibit 13.2

Certification by the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of The9 Limited (the "Company") on Form 20-F for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George Lai, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2025

By: /s/ George Lai
Name: George Lai
Title: Chief Financial Officer

Exhibit 15.1

Our ref YCU/604835-000001/31627885v1

The9 Limited
17 Floor, No. 130 Wu Song Road
Hong Kou District, Shanghai 201203
People's Republic of China

April 28, 2025

Dear Sir or Madam

The9 Limited (the "Company")

We consent to the reference to our firm under the heading "Item 10. Additional Information — E. Taxation — Cayman Islands Taxation" in the Company's Annual Report on Form 20-F for the year ended December 31, 2024 (the "**Annual Report**"), which will be filed with the Securities and Exchange Commission (the "**SEC**") in the month of March 2025, and further consent to the incorporation by reference of our opinions under these headings into the Registration Statements on Form S-8 (No. 333-127700, No. 333-156306, No. 333-168780, No. 333-210693, No. 333-217190, No. 333-231105, No. 333-259135, No. 333-271574 and No. 333-284061) of the Company.

We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP

Maples and Calder (Hong Kong) LLP

Exhibit 15.2

國浩律師(上海)事務所
GRANDALL LAW FIRM (SHANGHAI)
上海市静安区山西北路 99 号苏河湾中心 MT25-28 楼 邮编：200085
25-28/F, Suhe Centre, 99 North Shanxi Road, Jing'an District, Shanghai, China
T. +86 21 52341668 **F.** +86 21 52341670
E. grandallsh@grandall.com.cn **W.** www.grandall.com.cn

April 28, 2025

The9 Limited
17 Floor, No. 130 Wu Song Road
Hong Kou District
Shanghai 200080
People's Republic of China

Dear Sir or Madam,

Re: The Annual Report of The9 Limited

We hereby consent to the use of our name under the Chapters entitled "Risk Factors", "Government Regulations", "Related Party Transactions" included in the Annual Report on Form 20-F ("the Annual Report"), originally filed by The9 Limited on April 28, 2025, with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and the filing of this consent as an exhibit to the Annual Report. In addition, we further consent to the incorporation by reference of our opinions under these sections into the Registration Statements on Form S-8 (No. 333-127700, No. 333-156306, No. 333-168780, No. 333-210693, No. 333-217190, No. 333-231105, No. 333-259135, No. 333-271574 and No. 333-284061) of The9 Limited.

In giving this consent, we do not hereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Grandall Law Firm (Shanghai)

Grandall Law Firm (Shanghai)

Exhibit 15.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-127700, No. 333-156306, No. 333-168780, No. 333-210693, No. 333-217190, No. 333-231105, No. 333-259135, and No. 333-271574, No. 333-284061) of our report dated April 28, 2025, with respect to our audits of the consolidated financial statements of The9 Limited (the "Group") as of December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024, which report is included in the December 31, 2024 Annual Report on Form 20-F of the Group.

/s/ RBSM LLP

New York, NY
April 28, 2025