

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

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (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, 2023

OR

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

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

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

Commission file number: 001-39337

**EBANG INTERNATIONAL HOLDINGS INC.**  
(Exact name of Registrant as specified in its charter)

**Cayman Islands**  
(Jurisdiction of incorporation or organization)

**12 Marina View, #20-02B, Asia Square Tower 2, Singapore, 018961**  
(Address of principal executive offices)

**Dong Hu**  
Chief Executive Officer  
**12 Marina View, #20-02B, Asia Square Tower 2, Singapore, 018961**  
Tel: +86 571-8817-6197  
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(Name, Telephone, E-mail 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(s)	Name of each exchange on which registered
Class A ordinary shares, par value HK\$0.03 per share	EBON	Nasdaq Global Select Market

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 stock or common stock as of the close of business covered by the annual report.

An aggregate of 6,543,938.22 ordinary shares, representing 4,989,746.22 Class A ordinary shares, par value HK\$0.03 per share, and 1,554,192 Class B ordinary Shares, par value HK\$0.03 per share, as of April 25, 2024.

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

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.

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<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued 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:

US 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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EBANG INTERNATIONAL HOLDINGS INC.

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## INTRODUCTION

In this annual report, otherwise indicated or unless the context otherwise requires:

- “ASICs” means application-specific ICs, meaning ICs designed for a specific application;
- “China” and the “PRC” means the People’s Republic of China, excluding, for the purposes of this annual report only, Taiwan, the Hong Kong Special Administrative Region and the Macao Special Administrative Region;
- “Fintech” means financial technology;
- “ICs” or “chips” means integrated circuits;
- “PRC operating subsidiaries” means, for the purpose of this annual report, primarily, Zhejiang Ebang Communication Technology Co., Ltd. (“Zhejiang Ebang”), Zhejiang Ebang Information Technology Co., Ltd. (“Ebang IT”), Hangzhou Dewang Information Technology Co., Ltd. (“Hangzhou Dewang”), Hangzhou Yibang Botong Technology Co., Ltd. (“Hangzhou Yibang Botong”), Shanghai Yijiixin IC Design Co., Ltd. (“Shanghai Yijiixin”) and Hangzhou Zhenghao Information Technology Co., Ltd.;
- “PRC subsidiaries” means, for the purpose of this annual report, primarily, PRC operating subsidiaries, Hangzhou Ebang Hongfa Technology Co., Ltd. (“Ebang Hongfa”), Hangzhou Bangyun Information Technology Co., Ltd. (formerly known as Yunnan Ebang Information Technology Co., Ltd.) (“Hangzhou Bangyun”), Hangzhou Ebang Shuotai Technology Co., Ltd. (“Hangzhou Ebang Shuotai”), Zhejiang Ebang Communication Co., Ltd. (“Zhejiang Ebang Communication”) and Hangzhou Ebang Shengye Technology Co., Ltd. (“Hangzhou Ebang Shengye”);
- “operating subsidiaries” means, for the purpose of this annual report, primarily, PRC operating subsidiaries, Ebonex Australia Pty Ltd (“Ebonex Australia”), Ebon Management Australia Pty Limited (“Ebon Management Australia”), Compass Global Holdings Pty Ltd (“Compass Global”), Ebang Communications (HK) Technology Limited (formerly known as Hong Kong Bite Co., Limited) (“HK Ebang Communications”), HongKong Ebang Digital Technology Limited (“HK Ebang Digital”) and Ebon Management Pte. Ltd. (“Ebon Management”);
- “shares” or “Class A ordinary shares” means our Class A ordinary shares, par value HK\$0.03 per share;
- “US\$,” “U.S. Dollars,” “\$” and “dollars” means the legal currency of the United States; and
- “we,” “us,” “our company,” the “Company,” “Ebang,” “Ebang International” and “our” means Ebang International Holdings Inc., our Cayman Islands holding company and from time to time, in the context of describing our business, our operations and consolidated financial information, Ebang International Holdings Inc. and its subsidiaries.

We are a Cayman Islands holding company and conduct all of our operations through our operating subsidiaries. Investors in our shares are not purchasing equity securities of our operating subsidiaries but instead are purchasing equity securities of a Cayman Islands holding company. Ebang does not conduct its business through the variable interest entity (“VIE”) structure. As we have PRC operating subsidiaries, we face various legal and operational risks and uncertainties related to doing business in China. Since the PRC legal system continues to evolve, there are changes from time to time arising from the legal system in China, which include uncertainties regarding new legislation, regulations or interpretations governing our business activities, which may be promulgated or adopted; there is a risk that the Chinese government may intervene or influence our operations at any time, or may exert more control over offerings conducted in Hong Kong and overseas, which could result in substantial costs and divert our resources and the attention of our management; we also face risks associated with regulatory approvals on offerings conducted overseas and foreign investment in China-based issuers, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy failure to comply with such laws and regulations may negatively impact our ability to conduct certain businesses, access foreign investments, or list on a foreign stock exchange. In particular, it is now illegal to engage in digital asset transactions including Bitcoin mining operations in China, which ruling may adversely affect us.

In addition, in connection with our previous issuance of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we and our PRC subsidiaries, (i) are not required to obtain permissions from the China Securities Regulatory Commission (the “CSRC”), (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China (the “CAC”), and (iii) have not been asked to obtain or were denied such permissions by any PRC authority. However, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. For more detailed information, see “Item 3.D. Key Information—Risk Factors—Risks Relating to Conducting Business in China—We may be required to obtain approval or subject to filings or other requirements from the CSRC or other PRC regulatory authorities in connection with our offshore offerings under PRC law, and we cannot predict whether we will be able to or how long it will take to complete such filings.”

Furthermore, as more stringent criteria have been imposed by the U.S. Securities and Exchange Commission (the “SEC”) and the Public Company Accounting Oversight Board (the “PCAOB”) recently, our securities may be prohibited from trading on a national exchange or over-the-counter under the Holding Foreign Companies Accountable Act (the “HFCAA”) and related regulations, if the PCAOB is unable to inspect our auditors for two consecutive years beginning in 2022. As a result, an exchange may determine to delist our securities. The PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People’s Republic of China because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. Furthermore, the PCAOB’s report identified the specific registered public accounting firms which were subject to these determinations. On December 29, 2022, legislation entitled “Consolidated Appropriations Act, 2023” (the “Consolidated Appropriations Act”), was signed into law, which reduces the number of consecutive non-inspection years required for triggering the prohibitions under the Holding Foreign Companies Accountable Act from three years to two. On August 26, 2022, the CSRC, the Ministry of Finance of the PRC (the “MOF”), and the PCAOB signed a Statement of Protocol (the “Protocol”) governing inspections and investigations of audit firms based in mainland China and Hong Kong, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC. On December 15, 2022, the PCAOB determined that it was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate its previous determinations to the contrary. However, should PRC authorities obstruct or otherwise fail to facilitate the PCAOB’s access in the future, the PCAOB Board will consider the need to issue a new determination. Our financial statements have been audited by an independent registered public accounting firm that is headquartered in the United States who is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess an auditor’s compliance with the applicable professional standards, and has been inspected by the PCAOB on a regular basis. Our auditor is not among the PCAOB-registered public accounting firms headquartered in the PRC or Hong Kong that are subject to PCAOB’s determination on December 16, 2021 of having been unable to inspect or investigate completely. As of the date of this annual report, we have not been identified by the SEC as a commission-identified issuer under the HFCAA. However, there is a risk that our auditor cannot be inspected by the PCAOB in the future. The lack of inspection could cause trading in our securities to be prohibited under the HFCAA, and, as a result, The Nasdaq Stock Market LLC (“Nasdaq”) may determine to delist our securities, which may cause the value of our securities to decline or become worthless. See risks disclosed under “Item 3.D. Key Information—Risk Factors—Risks Relating to Conducting Business in China— The joint statement by the SEC and the PCAOB, rule changes by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our continued listing or future offerings of our securities in the U.S.”

## ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include, but are not limited to, the following:

- the Cayman Islands has a less exhaustive body of securities laws than the United States and these securities laws provide significantly less protection to investors; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our constitutional documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated.

To date, we have conducted a majority of our operations outside the United States, and a majority of our assets are located outside the United States. Substantially all of our officers are nationals or residents of jurisdictions other than the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult or impossible for a shareholder to effect service of process within the United States upon us or these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have appointed Cogency Global Inc., located at 122 East, 42<sup>nd</sup> Street, 18th Floor, New York, NY 10168, as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

### **Cayman Islands**

There is uncertainty as to whether the courts in the Cayman Islands would (1) recognize or enforce judgments of United States courts obtained against us or our directors or officers to impose liabilities against us predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or (2) entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the federal securities laws of the United States or the securities laws of any state in the United States.

Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an *in personam* judgment for non-monetary relief, and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the Cayman Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands, and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a punitive judgment of a United States court predicated upon the civil liability provisions of the federal securities laws in the United States without retrial on the merits if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that may be regarded as fines, penalties or punitive in nature. Because such a determination has not yet been made by a court of the Cayman Islands, it is uncertain whether such civil liability judgments from United States courts would be enforceable in the Cayman Islands. A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

## **The PRC**

The PRC Civil Procedures Law governs the recognition and enforcement of foreign judgments. PRC courts may recognize and enforce foreign judgments in accordance with the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions.

The PRC does not have any treaties or other agreements with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they determine that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether a PRC court would enforce a judgment rendered by a court in the United States or the Cayman Islands. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against us in the PRC, if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit.

In addition, it will be difficult for U.S. shareholders to originate actions against us in China in accordance with PRC laws because we are incorporated under the laws of the Cayman Islands and it will be difficult for U.S. shareholders, by virtue only of holding our ordinary shares, to establish a connection to China for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law.

For a detailed description of risks related to enforceability of civil liabilities, please refer to risks disclosed under “Item 3.D. Key Information—Risk Factors—Risks Relating to Our Business Operations—Certain judgments obtained against us by our shareholders may not be enforceable” and “—You may face difficulties in protecting your interests in the Company, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law and conduct our operations primarily in emerging markets.”

## FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Many of the forward-looking statements contained in this annual report can be identified by the use of forward-looking words such as “anticipate,” “believe,” “could,” “expect,” “should,” “plan,” “intend,” “will,” “estimate” and “potential,” among others.

Forward-looking statements appear in a number of places in this annual report and include, but are not limited to, statements regarding Ebang International Holdings Inc. and its subsidiaries’ intent, belief or current expectations. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors, including, but not limited to, those identified under the section “Item 3. Key Information—D. Risk factors” in this annual report. These risks and uncertainties include factors relating to:

- our goals and strategies;
- our business and operating strategies and plans for the development of existing and new businesses, ability to implement such strategies and plans and expected time;
- our future business development, financial condition and results of operations;
- expected changes in our revenues, costs or expenditures;
- our dividend policy;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with customers and business partners;
- the trends in, expected growth in and market size of the blockchain and Fintech industries in the markets we have business and globally;
- our ability to maintain and enhance our market position;
- our ability to continue to develop new technologies and/or upgrade our existing technologies;
- developments in, or changes to, laws, regulations, governmental policies, incentives and taxation affecting our operations, in particular in the blockchain and Fintech industries;
- relevant governmental policies and regulations relating to our businesses and industry;
- competitive environment, competitive landscape and potential competitor behavior in our industry; overall industry outlook in our industry;
- our ability to attract, train and retain executives and other employees;
- the development of the global financial and capital markets;
- fluctuations in inflation, interest rates and exchange rates;
- general business, political, social and economic conditions in the markets we have business;
- assumptions underlying or related to any of the foregoing; and
- other factors discussed under “Item 3. Key Information—D. Risk factors” in this annual report.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

#### A. Directors and senior management

Not applicable.

#### B. Advisers

Not applicable.

#### C. Auditors

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

#### A. Offer statistics

Not applicable.

#### B. Method and expected timetable

Not applicable.

### ITEM 3. KEY INFORMATION

As a Cayman Islands holding company, Ebang relies on dividends and other distributions on equity paid by its operating subsidiaries for cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to its shareholders or to service any expenses it may incur. Our subsidiaries', including PRC subsidiaries', ability to distribute dividends is based upon their distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, under PRC law, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. The after-tax profits shall be used to cover the loss that the PRC subsidiaries made in a previous financial year before any statutory reserve is drawn therefrom, if the statutory reserve is insufficient to cover such loss. These reserves are not distributable as cash dividends. If each of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to Ebang. According to the relevant PRC regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions, the operating subsidiaries of Ebang who remit dividends to Ebang shall, on the basis of the approval document issued by the competent administrative department of overseas direct investment (the State Administration of Foreign Exchange of the PRC ("SAFE") and its branch offices) and the foreign exchange registration certificate for overseas direct investment, handle the formalities for the outward remittance of funds for overseas direct investment at a designated foreign exchange bank. The designated foreign exchange bank shall handle the formalities for the domestic institution after an authenticity check.

To date, there have not been any such dividends or other distributions from our PRC subsidiaries to our subsidiaries located outside of China. In addition, as of the date of this annual report, PRC subsidiaries have never issued any dividends or distributions to Ebang or its shareholders outside of China. Furthermore, as of the date of this annual report, neither Ebang nor any of its subsidiaries have ever paid dividends or made distributions to U.S. investors. For risks relating to the fund flows of our operations in China, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Conducting Business in China—Our corporate structure may restrict our ability to receive dividends from, and transfer funds to, our PRC operating subsidiaries, which could restrict our ability to act in response to changing market conditions in a timely manner."

Ebang is permitted under PRC laws and regulations as an offshore holding company to provide funding to its PRC subsidiaries in China through shareholder loans or capital contributions, subject to satisfaction of applicable government registration, approval and filing requirements. According to the relevant PRC regulations on foreign-invested enterprises in China, there are no quantity limits on Ebang's ability to make capital contributions to its PRC subsidiaries. However, our PRC subsidiaries may not procure loans which exceed one of the following criteria: (i) the difference between their respective registered capital and total investment amount as recorded in the Foreign Investment Comprehensive Management Information System; or (ii) the upper limit of risk-weighted outstanding cross-border financings, which equals to the capital or net assets multiplied by the cross-border financing leverage ratio multiplied by the macro-prudential adjustment parameter.

The following table presents the net cash flows from Ebang to its subsidiaries for the periods indicated:

	<b>Years Ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
	<b>(in thousands)</b>		
Transfers from Ebang to its subsidiaries	196,985	-	45,449

Cash flows are principally transferred between Ebang and its subsidiaries as operating cash support, of which neither entity demands repayment. To date, Ebang has not provided any loan to its subsidiaries.

Cash transfers between the subsidiaries are managed by our management, who decides how cash is allocated among subsidiaries based on the subsidiaries' business development and operational needs. To date, no transfer of assets other than cash has occurred between the Company and its subsidiaries. We do not anticipate that our subsidiaries will pay cash dividends in the foreseeable future.

As of date of this annual report, we have never faced difficulties or limitations on our ability to transfer cash to our subsidiaries, across borders and to U.S. investors. Currently, there are no restrictions on the ability of our subsidiaries to distribute earnings or pay dividends subject to there being sufficient distributable reserves and having relevant foreign exchange registration certificate obtained, as applicable. In the future, cash proceeds raised from overseas financing activities may continue to be transferred by Ebang to its subsidiaries via capital contribution or shareholder loans, as the case may be. We intend to retain most, if not all, of our available funds and any future earnings for the development and growth of our business overseas. We do not expect to pay dividends in the foreseeable future.

All share and price per share information in this annual report has been adjusted to reflect our one-for-thirty reverse stock split of our issued and outstanding ordinary shares, which became effective upon shareholder approval at the Company's extraordinary general meeting on November 20, 2022 at 8:00 a.m. (Singapore Time).

**A. [Reserved]**

**B. Capitalization and indebtedness**

Not applicable.

**C. Reasons for the offer and use of proceeds**

Not applicable.

**D. Risk factors**

*Our business, financial condition and results of operations could be materially and adversely affected if any of the risks described below occur. As a result, the market price of our Class A ordinary shares could decline, and you could lose all or part of your investment. This annual report also contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." The risks below are not the only ones facing the Company. Additional risks not currently known to us or that we currently deem immaterial may also adversely affect us.* The following risk factors have been grouped as follows:

- a) Risks relating to conducting business in China;
- b) Risks relating to our Fintech and blockchain product businesses;
- c) Risks relating to our business operations;
- d) Risks relating to our securities; and
- e) General risks.

**Summary of Key Risks**

Our business is subject to numerous risks and uncertainties, discussed in more detail below. These risks include, among others, the following key risks:

- It is now illegal to engage in digital asset transactions including Bitcoin mining operations in China, which ruling may adversely affect us
- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business, results of operations and financial condition
- Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us
- Our corporate structure may restrict our ability to receive dividends from, and transfer funds to, our PRC operating subsidiaries, which could restrict our ability to act in response to changing market conditions in a timely manner
- Dividends payable to our foreign investors and gains on the sale of our Class A ordinary shares by our foreign investors may become subject to PRC taxation
- We may be required to obtain approval or subject to filings or other requirements from the CSRC or other PRC regulatory authorities in connection with our offshore offerings under PRC law, and we cannot predict whether we will be able to or how long it will take to complete such filings

- We are subject to risks associated with legal, political or other conditions or developments regarding holding, using or mining of Bitcoins, which could negatively affect our business, results of operations and financial position
- The current regulatory environment in foreign markets, and any adverse changes in those environments, could have material adverse impacts on our blockchain products business and our Fintech business
- The future development and growth of cryptocurrency and digital assets industry is subject to a variety of factors that are difficult to predict and evaluate. If the cryptocurrency and digital assets industry does not grow as we expect, our business, operating results, and financial condition could be adversely affected
- We may face challenges in regard to stringent licensing and regulatory requirements in the money services business that we operate
- The money service business in which we operate requires compliance with high and strict standards in order to manage the financial and technological risks to which we may be exposed and the establishment and maintenance of adequate infrastructures, and the failure to manage these risks will have a material adverse effect on our business
- Our results of operations have been, and are expected to continue to be, significantly impacted by the fluctuation of cryptocurrency prices, especially the price of Bitcoin
- We have historically derived a significant portion of our revenues from our Bitcoin mining machines business. If the market for Bitcoin mining machines ceases to exist or diminishes significantly, our business, results of operations and financial condition may be materially and adversely affected
- The industries in which we operate and which we intend to operate in the future are characterized by constant changes. If we fail to continuously innovate and to provide products that meet the expectations of our customers, we may be unable to attract new customers or retain existing customers, and hence our business and results of operations may be adversely affected
- We face risks associated with the expansion of our blockchain products and Fintech business operations overseas and if we are unable to effectively manage such risks, our business growth and profitability may be negatively affected
- We may not successfully develop, market or launch any future Fintech businesses or continue operating our existing Fintech businesses
- Our intellectual property rights are valuable, and any inability to protect them could adversely impact our business, operating results, and financial condition
- We rely on a limited number of third parties to fabricate our ASIC chips, which are the core technology used in our mining machines
- We have been involved, and may continue to be involved, in disputes, claims or proceedings arising from our operations or class actions from time to time, which could result in significant liabilities and reputational harm and could materially and adversely affect our business, financial condition and results of operations
- We have and may increasingly become a target for public scrutiny, including complaints to regulatory agencies, negative media coverage, and malicious allegations, all of which could severely damage our reputation and materially and adversely affect our business and prospects
- The joint statement by the SEC and the PCAOB, rule changes by Nasdaq, and the HFCAA and related regulations, all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our continued listing of our Class A ordinary shares or future offerings of our securities in the U.S.
- Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our Class A ordinary shares for a return on your investment

- You may face difficulties in protecting your interests in the Company, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law and conduct our operations primarily in emerging markets
- Our dual-class voting structure 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 may view as beneficial
- We are a “controlled company” within the meaning of the Nasdaq Rules, and, as a result, can rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies
- We are an emerging growth company within the meaning of the Jumpstart Our Business Startups Act (the “JOBS Act”) and may take advantage of certain reduced reporting requirements
- We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies
- We have in the past incurred and continue to incur losses and negative cash flows from operating activities, and we may not achieve or sustain profitability

### **Risks Relating to Conducting Business in China**

#### ***It is now illegal to engage in digital asset transactions including Bitcoin mining operations in China, which ruling may adversely affect us***

China has taken a harsh regulatory action to ban cryptocurrency mining operations and to severely restrict the right to acquire, own, hold, sell or use these Bitcoin assets or to exchange them for fiat currency.

On May 21, 2021, the Financial Stability and Development Committee of the State Council in China proposed to “crack down on Bitcoin mining and trading.” However, it was not until September 15, 2021, as described below, that all digital asset transactions were banned in China. In May 2021, local governments began to issue corresponding measures in succession to respond to the central government, including the Xinjiang Changji Hui Autonomous Prefecture Development and Reform Commission issuing a notice on the immediate shutdown of enterprises engaged in cryptocurrency mining on June 9, 2021. On June 18, 2021, according to the public media report – Sichuan Provincial Development and Reform Commission and Sichuan Energy Bureau issued a notice on the shutdown of cryptocurrency mining projects with the deadline of June 25, 2021. On September 3, 2021, the newly issued Notification of Overhauling the Mining Activity of Cryptocurrency (the “Notification No. 1283”) banned all new cryptocurrency operations in China and set forth penalties on a going forward basis for all of the PRC. On September 15, 2021, 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, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange jointly issued the Circular on Further Preventing and Disposing of Risks in Virtual Currency Trading and Speculation (Yin Fa [2021] No.237), which clarified that virtual currency-related business activities in China and the provision of services by an overseas virtual currency exchange to a Chinese resident via the Internet will be considered as illegal financial activities.

In consideration of the PRC government’s attitude and our intentional business plan, we will not conduct any cryptocurrency mining operations or cryptocurrency trading operations in mainland PRC. We do not have any mining operation in the PRC and have halted all mining machine custody business in China in April 2021. Such restrictions may adversely affect us, as the large-scale use of digital assets as a means of exchange is presently confined to certain regions globally. Ongoing and future regulatory actions may impact our ability to continue to operate, and such actions could affect our ability to continue as a going concern or to pursue our business strategy at all, which could have a material adverse effect on our business, prospects or operations. Additionally, while we do not believe the PRC governmental authorities will seek to impose retroactive fines, penalties or sanctions, there can be no assurance they may not seek to do so. Any such regulations, if implemented, will cause us to incur additional compliance costs and could have a material adverse effect on our future business operations.

### ***There are risks to foreign investors in Chinese companies***

The Chinese government implements the management systems of pre-establishment national treatment and negative list for foreign investment. Pre-establishment national treatment refers to the treatment given to foreign investors and their investments during the investment access stage, which is not lower than that given to their domestic counterparts; negative list for foreign investment refers to special administrative measures for the restricted or prohibited access of foreign investment in specific fields as stipulated by the Chinese government.

Pursuant to the Special Administrative Measures for Foreign Investment Access (2021 Edition), or the 2021 Edition Negative List, issued by The Ministry of Commerce of the PRC (the “MOFCOM”) and the National Development and Reform Commission (the “NDRC”) on December 27, 2021, which came into effect on January 1, 2022, our business does not fall into the Negative List. However, the 2021 Edition Negative List provides that “[f]ields not mentioned in the Negative List for Foreign Investment Access shall be subject to administration under the principle of consistency for domestic and foreign investments. The relevant provisions of the Negative List for Market Access shall apply to domestic and foreign investors on a unified basis.”

In addition, based on the Negative List for Market Access (2022) which became effective on March 12, 2022, “the Catalogue for Guidance on Industrial Restructuring shall be included in the Negative List for Market Access”; and according to the Decision of the State Council on Promulgating and Implementing the “Temporary Provisions on Promoting Industrial Structure Adjustment,” valid from December 2, 2005, “[i]n principle, the ‘Guidance Catalogue for the Industrial Structure Adjustment’ shall apply to various types of enterprises inside China.” “[t]he industries of the eliminated category under the ‘Guidance Catalogue for the Industrial Structure Adjustment’ shall apply to the foreign investment enterprises” and “[i]nvestments are prohibited from being contributed to projects under the eliminated category.” Furthermore, the NDRC released on December 30, 2021 its No. 49 Decree, announcing that the Decision of the National Development and Reform Commission on Amending the Guiding Catalog for Industrial Restructuring (2019 Version) (the “Amended Catalog”). The Amended Catalog added ‘virtual currency mining activities’ to the eliminated category of ‘1. outdated production processing and equipment’ under the original Catalog.

As a result of all of the above, foreign investment enterprises are prohibited from virtual currency activities and our mining machine custody business are banned in China as well.

### ***Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business, results of operations and financial condition***

Most of our revenues have been, and are expected to be, in the foreseeable future, derived from China, and a lot of our operations, including most of our manufacturing, is conducted in China. Accordingly, our business, prospects, results of operations and financial condition may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole. The Chinese economy differs from the economies of most developed countries in many respects, including the degree of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. 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 China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China’s economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing since 2012. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, and since 2012, and in particular in 2020 as a result of the COVID-19 pandemic, China’s economic growth slowed down. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

***Any potential changes in PRC laws and regulations could affect our business, financial condition and results of operation***

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. The PRC legal system is evolving rapidly and there are changes from time to time arising from the legal system in China, which include uncertainties regarding new legislation, regulations or interpretations governing our business activities, which may be promulgated or adopted; there is a risk that the Chinese government may intervene or influence our operations at any time, or may exert more control over offerings conducted in Hong Kong and overseas, which could result in substantial costs and divert our resources and the attention of our management.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, this could also result in substantial costs and divert our resources and the attention of our management. Any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

In addition, we also face risks associated with regulatory approvals on offerings conducted overseas and foreign investment in China-based issuers, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy practices. The failure to comply with such laws and regulations may negatively impact our ability to conduct certain businesses, access foreign investments, or list on a foreign stock exchange. In particular and as discussed above, it is now illegal to engage in digital asset transactions including Bitcoin mining operations in China, which ruling may adversely affect us.

***A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business and our financial condition***

Although the Chinese economy has grown steadily in the past decade, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the People's Bank of China and financial authorities of some of the world's leading economies, including the United States and China. The proposed tariffs by the U.S. government and the potential of a trade war between the U.S. and China could dampen the growth prospects of the Chinese and global economies. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in volatility in oil and other markets. There have also been concerns on the relationship among China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes. The ongoing war between Russian and Ukraine has escalated global geopolitical tensions when Russia launched a large-scale land invasion into Ukraine in February 2022. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

***Increases in labor costs and enforcement of stricter labor laws and regulations in the PRC and our PRC subsidiaries' additional payments of statutory employee benefits may adversely affect our business and profitability***

The average wage in China has increased in recent years and is expected to continue to grow. The average wage level for our PRC subsidiaries' employees has also increased in recent years. We expect that our PRC subsidiaries' labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers, our profitability and results of operations may be materially and adversely affected.

In addition, our PRC subsidiaries have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our PRC subsidiaries' employees. Pursuant to the PRC Labor Contract Law and its implementation rules, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employee's probation and unilaterally terminating labor contracts. In the event that our PRC subsidiaries decide to terminate some of their employees or otherwise change their employment or labor practices, the PRC Labor Contract Law and its implementation rules may limit their ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

Pursuant to PRC laws and regulations, companies registered and operating in China are required to apply for social insurance registration and housing fund deposit registration within 30 days of their establishment and to pay for their employees' different social insurance including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to the extent required by law. Our PRC subsidiaries have not fully paid social insurance and housing provident funds for all of their employees due to inconsistency in implementation or interpretation of the relevant PRC laws and regulations among government authorities in the PRC and, in some cases, voluntary decisions by the relevant employees. As the PRC government may enhance its enforcement measures relating to social insurance and housing fund deposit collection, our PRC subsidiaries may be required to make up the contributions to their employees, and may be further subjected to late fees payment and administrative fines, which may materially and adversely affect our financial condition and results of operations. As the interpretation and implementation of PRC labor-related laws and regulations are still evolving, we cannot assure you that our PRC subsidiaries' current employment practices do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. In addition, we may incur additional expenses in order to comply with such laws and regulations, which may adversely affect our business and profitability.

***We may be adversely affected by inflation or labor shortage in China***

In recent years, the PRC economy has experienced periods of rapid expansion and highly fluctuating rates of inflation. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2021, 2022 and 2023 were increases of 1.5%, 1.8% and a decrease of 0.3%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if the PRC economy experiences higher rates of inflation in the future. It is uncertain when the general price level of the PRC economy may increase or decrease sharply in the future. Moreover, the significant economic growth in China has resulted in a general increase in labor costs and shortage of low-cost labor. Inflation may cause our production cost to continue to increase. If we are unable to pass on the increase in production cost to our customers, we may suffer a decrease in profitability and a loss of customers and our results of operations could be materially and adversely affected.

***Our corporate structure may restrict our ability to receive dividends from, and transfer funds to, our PRC operating subsidiaries, which could restrict our ability to act in response to changing market conditions in a timely manner***

We are a Cayman Islands holding company and a certain portion of our operations are conducted through our operating subsidiaries. The ability of our operating subsidiaries to make dividend and other payments to us may be restricted by factors that include changes in applicable foreign exchange and other laws and regulations.

In particular, under the PRC law, each of our PRC operating subsidiaries may only pay dividends after 10% of its net profit has been set aside as reserve funds, unless such reserves have reached at least 50% of its registered capital. In addition, the profit available for distribution from our PRC operating subsidiaries is determined in accordance with generally accepted accounting principles in the PRC. This calculation may differ if it were performed in accordance with U.S. GAAP. As a result, we may not have sufficient distributions from our PRC operating subsidiaries to enable necessary profit distributions to our shareholders in the future, which would be based upon our financial statements prepared under U.S. GAAP.

Distributions by our PRC operating subsidiaries to us other than as dividends may be subject to governmental approval and taxation. Any transfer of funds from our company to our PRC operating subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of PRC governmental authorities, including the relevant administration of foreign exchange and/or the relevant examining and approval authority. These limitations on the free flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions in a timely manner.

***We may be subject to EIT on our worldwide income if our company or any of our subsidiaries were considered a PRC “resident enterprise” under the PRC Enterprise Income Tax Law (the “EIT Law”)***

Under the EIT Law and its implementation rules, enterprises established outside of the PRC with “de facto management bodies” within the PRC are considered a “resident enterprise” and will be subject to EIT at a rate of 25% on their worldwide income. The implementation rules under EIT define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the production, operation, personnel, accounting, properties, etc. of an enterprise.” The State Administration of Taxation of the PRC (the “SAT”) promulgated the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (“Circular 82”), on April 22, 2009, as amended on November 8, 2013, provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in the PRC. On July 27, 2011, the SAT issued the Measures for Administration of Income Tax of Chinese Controlled Resident Enterprises Incorporated Overseas (Trial) (“Circular 45”), as amended on June 15, 2018, to supplement Circular 82 and other tax laws and regulations. Circular 45 clarifies certain issues relating to resident status determination. Although Circular 82 and Circular 45 apply only to offshore enterprises controlled by PRC enterprises or PRC group companies and not those controlled by PRC individuals or foreigners, the determining criteria set forth in Circular 82 and Circular 45 may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals or foreign enterprises. A substantial majority of our senior management team is located in China. If our company or any of our subsidiaries were considered to be a PRC “resident enterprise,” we would be subject to EIT at a rate of 25% on our worldwide income, which could materially reduce our net income.

***Dividends payable to our foreign investors and gains on the sale of our Class A ordinary shares by our foreign investors may become subject to PRC taxation***

Under the EIT Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends payable to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Similarly, any gain realized on the transfer of our Class A ordinary shares by such investors is also subject to PRC tax at a current rate of 10%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our Class A ordinary shares, and any gain realized from the transfer of our Class A ordinary shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of our Class A ordinary shares by such investors may be subject to PRC tax at a current rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions. If we or any of our subsidiaries established outside China are considered a PRC resident enterprise, it is unclear whether holders of our Class A ordinary shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends payable to our non-PRC investors, or gains from the transfer of our Class A ordinary shares by such investors, are deemed as income derived from sources within the PRC and thus are subject to PRC tax, the value of your investment in our Class A ordinary shares may decline significantly.

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

We have benefited from preferential tax treatments from the PRC government and related government grants, such as “high-tech enterprise” tax status and a value added tax (“VAT”) tax refund. We cannot assure you that we will be able to meet the relevant requirements and be re-granted such preferential tax treatments and government grants upon their expiration, or to apply for other preferential tax treatments or government grants. The policies regarding the preferential tax treatments and government grants are subject to change and termination. The PRC government authorities may decide to reduce, eliminate or cancel our tax preferences at any time. Therefore, we cannot assure you of the continued availability of such tax preferences or government grants which we currently enjoy. The discontinuation, reduction or delay of any such preferential tax treatments and government grants could adversely affect our financial condition and results of operations. For more detailed information, see “Item 5. Operating and Financial Review and Prospects—Operating Results—Key Components of Results of Operations—Taxation”.

***PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits***

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (“SAFE Circular 37”), which replaces the previous SAFE Circular 75. SAFE Circular 37 requires PRC residents, including PRC individuals and PRC corporate entities, to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we may make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles (“SPVs”), are required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its registration with the local branch of SAFE with respect to that SPV, to reflect any material change. Moreover, any subsidiary of such SPV in China is required to urge the PRC resident shareholders to update their registration with the local branch of SAFE to reflect any material change. If any PRC resident shareholder of such SPV fails to make the required registration or to update the registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiaries in China. In February 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (“SAFE Notice 13”). Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound direct investments, including those required under SAFE Circular 37, must be filed with qualified banks instead of SAFE. Qualified banks should examine the applications and accept registrations under the supervision of SAFE. We have used commercially reasonable efforts to notify PRC residents or entities who directly or indirectly hold shares in our Company and who are known to us as being PRC residents to complete the foreign exchange registrations. However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. We cannot assure you that all other shareholders or beneficial owners of ours who are PRC residents or entities have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries’ ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

Furthermore, as these foreign exchange and outbound investment related regulations are relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border investments and transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. We cannot assure you that we have complied or will be able to comply with all applicable foreign exchange and outbound investment related regulations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

***We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies***

In February 2015, SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (“SAT Public Notice 7”). SAT Public Notice 7 extends its tax jurisdiction to transactions involving the transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Public Notice 7 provides clear criteria for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Public Notice 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. In October 2017, SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (“SAT Bulletin 37”), which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident EIT. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an indirect transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such indirect transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer other than the transfer of shares acquired and sold on public markets may be subject to EIT, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10%. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions that involve PRC taxable assets, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions and may be subject to withholding obligations if our company is transferee in such transactions, under SAT Public Notice 7 or SAT Bulletin 37, or both.

***We are subject to PRC restrictions on currency exchange***

Some of our revenues and expenses are denominated in Renminbi. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries. Currently, certain of our PRC subsidiaries may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of the SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities. Since a part of our future net income and cash flow will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize cash generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our shareholders, including holders of our Class A ordinary shares, and may limit our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

***If the custodians or authorized users of our controlling chops and seals fail to fulfill their responsibilities, or misappropriate or misuse these chops and seals, our business and operations may be materially and adversely affected***

Under PRC law, legal documents for corporate transactions, including agreements and contracts such as the leases and sales contracts on which our business relies, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant local branch of the market supervision administration.

In order to maintain the physical security of our chops and the chops of our PRC subsidiaries, we generally store these items in secured locations accessible only by the authorized personnel of each of our PRC subsidiaries and consolidated entities. Although we monitor such authorized personnel, there is no assurance such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chops or seals, we could encounter difficulties in maintaining control over the relevant entities and experience significant disruption to our operations. If a designated legal representative obtains control of the chops in an effort to obtain control over any of our PRC subsidiaries or consolidated entities, we, our PRC subsidiaries or consolidated entities would need to pass a new shareholder or board resolution to designate a new legal representative and we would need to take legal action to seek the return of the chops, apply for new chops with the relevant authorities, or otherwise seek legal redress for the violation of the representative’s fiduciary duties to us, which could involve significant time and resources and divert management attention away from our regular business. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

***The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (“M&A Rules”) and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China***

The M&A Rules, adopted by six PRC regulatory agencies in August 2006 and amended in June 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that shall obtained an approval from the MOFCOM in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the PRC’s anti-monopoly laws require that the MOFCOM be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the Safety Review System for Merger and Acquisition of Domestic Companies by Foreign Investors issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

***We may be required to obtain approval or subject to filings or other requirements from the CSRC or other PRC regulatory authorities in connection with our offshore offerings under PRC law, and we cannot predict whether we will be able to or how long it will take to complete such filings***

On July 6, 2021, the relevant PRC government authorities issued 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 of overseas listings by China-based companies, and to improve relevant laws and regulations on data security, cross-border data transmission, and confidential information management. These opinions also required that efforts be made to revise the regulations on strengthening the confidentiality and file management relating to the offering and listing of securities overseas, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (the “Overseas Listing Trial Measures”) and five related guidelines, which became effective on March 31, 2023. The Overseas Listing Trial Measures comprehensively improved and reformed the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities through a filing-based regulatory regime.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either through direct or indirect means, are required to go through the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that if the issuer meets both of the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas listing by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. The determination as to indirect overseas listing by PRC domestic companies, shall be made on a substance over form basis. Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within 3 working days after the offering is completed, and subsequent securities offerings and listings of an issuer in overseas markets other than where it has offered and listed securities shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas. If a domestic company fails to fulfill the filing procedure, the CSRC shall order rectification, issue warnings to such domestic company, and impose a fine; directly liable persons-in-charge and other directly liable persons shall be warned and each imposed a fine. According to Circular on the Arrangements for the Filing-based Administration of Overseas Securities Offering and Listing by Domestic Companies issued by the CSRC on February 17, 2023, from the implementation date of the Overseas Listing Trial Measures, domestic enterprises subject to the scope of filing that have offered shares or been listed overseas, or have met the following conditions shall be deemed as “existing enterprises”, which are not required to go through the filing immediately but shall be required to do so if they involve in re-financing and other filing matters in the future.

Based on the aforementioned criteria, we may be deemed a PRC domestic company and our offshore offerings may be deemed an indirect overseas listing by PRC domestic companies. Since we had already completed overseas offering prior to the effective date of the Overseas Listing Trial Measures, we should be deemed as an “existing enterprise” and not be required to go through the filing immediately. Only when we involve in re-financing and other filing matters will we be required to complete such filing with the CSRC. If so, we cannot assure you that we could meet such requirements or complete such filing in a timely manner. Any failure may restrict our ability to complete the proposed offshore offerings, which would have a material adverse effect on our business and financial positions. Further, as the Overseas Listing Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation and implementation and how they may impact our ability to raise or utilize funding for business operation.

On February 24, 2023, the CSRC, together with MOF, the National Administration of State Secrets Protection and the National Archives Administration of China, revised the Provisions on Strengthening Confidentiality and Archives Administration for Overseas Securities Offering and Listing which was issued by the CSRC, the National Administration of State Secrets Protection and the National Archives Administration of China in 2009. Such revised Provisions were issued under the title the “Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies”, which became effective on March 31, 2023, together with the Trial Measures. One of the major revisions to such revised Provisions was to expand its application to cover indirect overseas offering and listing, consistent with the Trial Measures. Such revised Provisions require that, among other things, a domestic company (a) that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level; (b) that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals and entities including securities companies, securities service providers and overseas regulators, any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations; and (c) that provides documents and materials to securities companies and securities service providers; shall abide by applicable national regulations on confidentiality in handling such documents and materials, and shall provide a written statement pursuant to the revised Provisions referred to above to relevant securities companies and securities service providers simultaneously.

As of the date of this annual report, we have not had any failure or perceived failures by us or our PRC subsidiaries to comply with the above confidentiality and archives administration requirements under such revised Provisions and other PRC laws and regulations that would result in the relevant entities being held legally liable by competent authorities, and referred to a judicial organ to be investigated for criminal liability if suspected of committing a crime.

On December 28, 2021, the CAC, the NDRC, the Ministry of Industry and Information Technology (“MIIT”), and several other administrations jointly promulgated the Cybersecurity Review Measures (the “Cybersecurity Measures”), which became effective on February 15, 2022. The Cybersecurity Measures have replaced their previous version promulgated on April 13, 2020. According to the Cybersecurity Measures, among others, (i) an application for cybersecurity review shall be made by an issuer who is a network platform operator holding personal information of more than one million users before such issuer applies to list securities on a foreign stock exchange; and (ii) the relevant PRC governmental authorities may initiate cybersecurity review if such governmental authorities determine that the issuer’s network products or services, or data processing activities affect or may affect national security. On the bases that (i) the Cybersecurity Measures were promulgated recently, (ii) the exact scope of “network platform operator” under the Cybersecurity Measures remains unclear, and (iii) there are substantial uncertainties on the interpretation and application of the Cybersecurity Measures, there can be no assurance that we would be required to apply for such cybersecurity review for our offshore offerings. Any failure in completion of a cybersecurity review may result in administrative penalties, including fines, a cessation of our business, revocation of requisite licenses, as well as reputational damage or legal proceedings or actions against us, which may have material adverse effects on our business, financial condition and results of operations. As of the date of this annual report, we have not been involved in any formal investigations on cybersecurity review made by the CAC on such basis.

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 and the draft of Regulations on the Network Data Security, 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 obtained by us, 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 China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China 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 any securities we may offer. Consequently, if investors in any such offerings were to engage in market trading or other activities in anticipation of and prior to settlement and delivery of such securities, 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 requirements could also materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed securities.

***We face regulatory uncertainties in China that could restrict our ability to grant share incentive awards to our employees or consultants who are PRC citizens***

Pursuant to the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in a Stock Incentive Plan of an Overseas Publicly-Listed Company issued by SAFE on February 15, 2012 (“Circular 7”), a qualified PRC agent (which could be the PRC subsidiary of the overseas-listed company) is required to file, on behalf of “domestic individuals” (defined as both PRC residents as well as non-PRC residents who reside in China for a continuous period of not less than one year, excluding foreign diplomatic personnel and representatives of international organizations) who are granted shares or share options by the overseas-listed company according to its share incentive plan, an application with SAFE to conduct SAFE registration with respect to such share incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the share purchase or share option exercise. Such PRC individuals’ foreign exchange income received from the sale of shares and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in China, which is opened and managed by the PRC domestic agent before distribution to such individuals. In addition, such domestic individuals must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options and their purchase and sale of shares. The PRC domestic agent also needs to update registration with SAFE within three months after the overseas-listed company materially changes its share incentive plan or make any new share incentive plans.

We adopted our Amended and Restated 2020 Share Incentive Plan (the “2020 Plan”), effective upon the completion of our initial public offering, and adopted our 2021 Share Incentive Plan (the “2021 Plan”), effective upon shareholder approval at the 2021 annual general meeting of shareholders held on December 15, 2021. As of the date of this annual report, we have granted 152,370 restricted share after forfeitures awards under the 2020 Plan and we did not grant any awards under the 2021 Plan. We may grant share incentive awards under both or either plan in the future. When we do, from time to time, we need to apply for or update our registration with SAFE or its local branches on behalf of our employees or consultants who receive options or other equity-based incentive grants under the 2020 Plan, 2021 Plan or future share incentive plans we may adopt, and when we make material changes to such plan(s). However, we may not always be able to make applications or update our registration on behalf of our employees or consultants who hold any type of share incentive awards in compliance with Circular 7, nor can we assure you that such applications or registration updates will be successful. If we or the participants of our share incentive plan(s) who are PRC citizens fail to comply with Circular 7, we and/or such participants of our share incentive plan(s) may be subject to fines and legal sanctions, there may be additional restrictions on the ability of such participants to exercise their share options or remit proceeds gained from sale of their shares into China, and we may be prevented from further granting share incentive awards under our share incentive plans to our employees or consultants who are PRC citizens.

***Our Hong Kong subsidiaries could become subject to the direct oversight of the PRC government at any time if the National laws of mainland China are applied to Hong Kong***

The national laws of the PRC (the “National Laws”), including, but not limited to (i) the Cybersecurity Review Measures which became effective on February 15, 2022; and (ii) approval by the CSRC or any other Chinese regulatory authority to approve or permit our offering of securities in the U.S., do not currently apply to our Hong Kong subsidiaries, except for those set forth below. However, due to the uncertainty of the PRC legal system and changes in laws, regulations or policies, including how these laws, regulations or policies would be interpreted or implemented, and the national laws applicable in Hong Kong, the Basic Law might be revised in the future.

Pursuant to Article 18 of the Basic Law of the Hong Kong Special Administrative Region of the PRC (the “Basic Law”), “[t]he laws in force in the Hong Kong Special Administrative Region shall be the Basic Law, the laws previously in force in Hong Kong as provided for in Article 8 of this Law, and the laws enacted by the legislature of the Region. National laws shall not be applied in the Hong Kong Special Administrative Region except for those listed in Annex III to the Basic Law. The laws listed therein shall be applied locally by way of promulgation or legislation by the Region. Also, regarding the Annex III and several Instruments of the Basic Law, National Laws, which have applied in Hong Kong until now are as following:

Resolution on the Capital, Calendar, National Anthem and National Flag of the PRC; Resolution on the National Day of the PRC; Declaration of the Government of the PRC on the Territorial Sea; Nationality Law of the PRC; Regulations of the PRC Concerning Diplomatic Privileges and Immunities; Law of the PRC on the National Flag; Regulations of the PRC Concerning Consular Privileges and Immunities; Law of the PRC on the National Emblem; Law of the PRC on the Territorial Sea and the Contiguous Zone; Law of the PRC on Garrisoning the Hong Kong Special Administrative Region; Law of the PRC on the Exclusive Economic Zone and the Continental Shelf; Law of the PRC on Judicial Immunity from Compulsory Measures Concerning the Property of Foreign Central Banks; and Law of the PRC on the National Anthem; Law of the PRC on Safeguarding National Security in the Hong Kong Special Administrative Region.

On December 24, 2021, the CSRC released the Provisions of the State Council on the Administration of Domestic Companies Offering Securities for Overseas Listing (Revision Draft for Comments) (the “Provisions”) and the Administrative Measures for the Filing of Domestic Companies Seeking Overseas Securities Offering and Listing (the “Measures”) for public comment. According to the Provisions and Measures, “[d]omestic companies that seek to offer and list securities in overseas markets shall fulfill the filing procedure with the securities regulatory agency under the State Council and report relevant information;” and “[a]n overseas offering and listing is prohibited under any of the following circumstances: (1) if the intended securities offering and listing falls under specific clauses in national laws and regulations and relevant provisions prohibiting such financing activities.” Furthermore, the Cybersecurity Review Measures (2021) was officially released to the public on December 28, 2021 and became effective on February 15, 2022. According to the Cybersecurity Review Measures (2021), “To go public abroad, an online platform operator who possesses the personal information of more than 1 million users shall declare to the Office of Cybersecurity Review for cybersecurity review.”

As of the date of this annual report, we have two wholly-owned subsidiaries and operating entities established in Hong Kong, HK Ebang Communications, principally in the business of trading of blockchain chips; and HK Ebang Digital, principally in the business of information technology development services. Neither entity has established any subsidiary or branch in the PRC or has committed any business operations in the PRC. For additional information, see “Item 4. Information of the Company – C. Organizational Structure.”

Based on the aforementioned Basic Law, our Hong Kong subsidiaries are not subject to the Cybersecurity Measures, the Provisions or the Measures. However, due to the uncertainty of the PRC legal system and changes in laws, regulations or policies, including how these laws, regulations or policies would be interpreted or implemented, the National Laws and the Basic Law might be revised in the future. Therefore, we cannot assure you that we will not be affected by the foregoing or relevant laws, regulations or policies in the future. If there are any changes to the foregoing laws, regulations and policies, or if any new laws, regulations, and policies, etc., would be published, we would manage to comply with the changed laws, regulations and policies. However, we could not guarantee that the relevant laws, regulations, or policies would not be applied retroactively, and as a result, we could face penalties, and our reputation and results of operations could be materially and adversely affected.

## Risks Relating to Our Fintech and Blockchain Product Businesses

***We are subject to risks associated with legal, political or other conditions or developments regarding holding, using or mining of Bitcoin, which could negatively affect our business, results of operations and financial position***

Our customers are based globally. As such, changes in government policies, taxes, general economic and fiscal conditions, as well as political, diplomatic or social events, expose us to financial and business risks. In particular, changes in domestic or overseas policies and laws regarding holding, using and/or mining of Bitcoin could result in an adverse effect on our business operations and results of operations. Moreover, if any domestic or international jurisdiction where we operate or sell our Bitcoin mining machines prohibits or restricts Bitcoin mining activities, we may face legal and other liabilities and will experience a material loss of revenue.

There are significant uncertainties regarding future regulations pertaining to the holding, using or mining of Bitcoin, which may adversely affect our results of operations. While Bitcoin has gradually gained more market acceptance and attention, it is anonymous and may be used for black market transactions, money laundering, illegal activities or tax evasion. As a result, governments may seek to regulate, restrict, control or ban the holding, use mining holding of Bitcoin. In addition, due to compliance risk, cost, government regulation or public pressure, banks and financial institutions may not provide banking services, or may cut off services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies, including Bitcoin, as payment. Our existing policies and procedures for the detection and prevention of money laundering and terrorism-funding activities through our business activities have only been adopted in recent years and may not completely eliminate instances in which we or our products may be used by other parties to engage in money laundering and other illegal or improper activities. We cannot assure you that there will not be a failure in detecting money laundering or other illegal or improper activities which may adversely affect our reputation, business, financial condition and results of operations.

With advances in technology, cryptocurrencies are likely to undergo significant changes in the future. It remains uncertain whether Bitcoin will be able to cope with, or benefit from, those changes. In addition, as Bitcoin mining employs sophisticated and high computing power devices that need to consume large amounts of electricity to operate, future developments in the regulation of energy consumption, including possible restrictions on energy usage in the jurisdictions where we sell our products, may also affect our business operations and the demand for our current Bitcoin mining machines. There has been negative public reaction to the environmental impact of Bitcoin mining, particularly the large consumption of electricity, and governments of various jurisdictions have responded. For example, pursuant to Notification No. 1283, new virtual currency mining projects in the PRC are forbidden to apply for electricity facility installation, and the electricity facility installation shall be strictly reviewed. It is not permissible to supply power to virtual currency mining enterprises in any name, and all applications for electricity facility installation projects in progress shall be stopped. In the United States, certain local governments of the state of Washington have discussed measures to address the environmental impacts of Bitcoin-related operations, such as the high electricity consumption of Bitcoin mining activities. Any legislation and increased regulation regarding climate change could impose significant costs on us and our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs to comply with such regulations. Specifically, imposition of a carbon tax or other regulatory fee in a jurisdiction where we operate or on electricity that we purchase could result in substantially higher energy costs, and due to the significant amount of electrical power required to operate cryptocurrency mining machines, could in turn put our facilities at a competitive disadvantage. Any future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. Given the political significance and uncertainty around the impact of climate change and how it should be addressed, we cannot predict how legislation and regulation will affect our financial condition, operating performance and ability to compete. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by us or other companies in our industry could harm our reputation. Any of the foregoing could have a material adverse effect on our financial position, results of operations and cash flows.

***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***

The Bitcoin Network was first launched in 2009 and Bitcoins were the first cryptographic digital assets created to gain global adoption and critical mass. Although the Bitcoin Network is the most established digital asset network, the Bitcoin Network and other cryptographic and algorithmic protocols governing the issuance of digital assets represent a new and rapidly evolving industry that is subject to a variety of factors that are difficult to evaluate. In addition, the use of cryptocurrencies to, among other things, buy and sell goods and services and complete transactions, is part of a new and rapidly evolving industry that employs cryptocurrency assets, including Bitcoin, based upon a computer-generated mathematical or cryptographic protocol. Large-scale acceptance of Bitcoin as a means of payment has not, and may never, occur. The growth of this industry in general, and the use of Bitcoin in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may occur unpredictably.

Recent events in the industry, such as filing for and seeking protection of Chapter 11 proceedings by major market participants, may have significant impact on further development and acceptance of digital asset networks and digital assets as they exposed how unpredictable and turbulent the digital assets industry can be. Specifically, the Chapter 11 Bankruptcy filings of digital asset exchanges FTX Trading Ltd., et al. (“FTX”) (including its affiliated hedge fund, Alameda Research LLC) was unexpected and significantly reduced confidence in the digital assets industry as it was one of the largest and considered to be among the safest of the digital asset trading platforms. Furthermore, it also revealed potential systemic risks and industry contagion as a significant number of other major market participants were affected by FTX’s Chapter 11 filing – namely, among others, BlockFi Inc., one of the largest digital asset lending companies. At this time, we believe that there are no significant exposures of our business to any of the industry participants who have filed for Chapter 11 bankruptcy to date; however, such failure of key institutions in the cryptocurrency asset industry highlights the risk of systemic interconnectedness between major market participants and the effect it could have on the industry as a whole.

The closure and temporary shutdown of major digital asset exchanges and trading platforms due to fraud or business failure, has disrupted investor confidence in cryptocurrencies and led to a rapid escalation of enforcement action taken by various regulatory authorities against participants in the digital asset industry. Thus, the failures of key market participants and systemic contagion risk are expected to invite more intense and frequent regulatory scrutiny. All of this could have a negative impact on further development, confidence in, and acceptance of digital asset networks and digital assets, including Bitcoin.

Other factors that could affect further development and acceptance of digital asset networks and other digital assets include, but are not limited to:

- increased universal adoption and use of Bitcoin as a medium of exchange;
- governmental and quasi-governmental regulation of Bitcoin and its use, or restrictions on or regulation of access to and operation of the Bitcoin network or similar cryptocurrency systems and platforms;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the Bitcoin network;
- the increased consolidation of contributors to the Bitcoin blockchain through Bitcoin mining pools;
- the availability and popularity of other cryptocurrencies and other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- the use of the networks supporting cryptocurrencies for developing smart contracts and distributed applications;
- general economic conditions and the regulatory environment relating to cryptocurrencies and other digital assets;
- environmental or tax restrictions, excise taxes or other additional costs on the use of electricity to mine Bitcoin;
- an increase in Bitcoin transaction costs and any related reduction in the use of and demand for Bitcoin; and
- negative consumer sentiment and perception of bitcoin specifically or cryptocurrencies generally.

***We may face several risks due to disruptions in the digital asset markets, including but not limited to, the risk from depreciation in our stock price, financing risk, risk of increased losses or impairments in our investments or other assets, risks of legal proceedings and government investigations, and risks from price declines or price volatility of digital assets***

In the second half of 2022 and beginning of 2023, some well-known digital asset market participants, including digital asset lenders Celsius Network LLC (“Celsius”), Voyager Digital Ltd. (“Voyager”), Three Arrows Capital (“Three Arrows”) and Genesis Global Holdco, LLC (“Genesis”) declared bankruptcy, resulting in a loss of confidence in participants of the digital asset ecosystem and negative publicity surrounding digital assets more broadly. In November 2022, FTX, the third largest digital asset exchange by volume at the time, halted customer withdrawals and shortly thereafter, FTX and its subsidiaries filed for bankruptcy.

In addition, in February 2023, the SEC entered into a settlement agreement with cryptocurrency exchange Payward Ventures, Inc. and Payward Trading Ltd. (doing business as, and hereinafter, “Kraken”) for failing to register its “staking-as-a-service” program as a securities offering in violation of Section 5 of the Securities Act. Pursuant to the settlement agreement, Kraken agreed to cease operations of its staking program in the U.S. and pay the SEC \$30 million in fines.

In response to these events, the digital asset markets, including the market for Bitcoin specifically, have experienced extreme price volatility and several other entities in the digital asset industry have been, and may continue to be, negatively affected, further undermining confidence in the digital asset market and in Bitcoin. These events have also negatively impacted the liquidity of the digital asset market as certain entities affiliated with FTX engaged in significant trading activity. If the liquidity of the digital asset market continues to be negatively impacted by these events, digital asset prices (including the price of Bitcoin) may continue to experience significant volatility and confidence in the digital asset market may be further undermined. These events are continuing to develop and it is not possible to predict at this time all of the risks that they may pose to us, our service providers or the digital asset industry as a whole.

Although we had not been materially and adversely affected by the downfall of FTX or any of the above-mentioned cryptocurrency companies, nor have we had any material assets that may not be recovered or may otherwise be lost or misappropriated due to the bankruptcies, the failure or insolvency of large exchanges like FTX have caused and may continue to cause the price of Bitcoin to fall and decrease confidence in the ecosystem, which could adversely affect an investment in us. Such market volatility and decrease in Bitcoin price have had a material and adverse effect on our results of operations and financial condition and we expect our results of operations to continue to be affected by the Bitcoin price as the results of our operations are significantly tied to the price of Bitcoin. If we do not continue adjusting our short-term strategy to optimize our operating efficiency in the current dynamic market conditions, such market conditions could have a further negative result on our business, prospects or operations.

***The current regulatory environment in foreign markets, and any adverse changes in those environments, could have material adverse impacts on our blockchain products business and our Fintech business***

We currently export our products to various overseas markets, have been operating a cryptocurrency exchange platform and a cross-border payment and foreign exchange platform, and we intend to further develop our business and operations in the future to provide Fintech businesses in overseas jurisdictions, including, but not limited to, Singapore, Hong Kong, Australia, New Zealand, the Bahamas, the United States and Malaysia. Our blockchain products business and Fintech businesses could therefore be significantly affected by regulatory developments in jurisdictions outside the PRC, including the United States and other jurisdictions.

Certain aspects of our business are subject to extensive laws, rules, regulations, policies and legal and regulatory guidance, including those governing securities, commodities, cryptocurrency asset custody, exchange and transfer, data governance, data protection, cybersecurity and tax. Many of these legal and regulatory regimes were adopted prior to the advent of the Internet, mobile technologies, cryptocurrency assets and related technologies. As a result, they do not contemplate or address unique issues associated with the crypto economy, are subject to significant uncertainty, and vary widely across federal, state and local laws, including the PRC and international jurisdictions. These legal and regulatory regimes, including the laws, rules and regulations thereunder, evolve frequently and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. Moreover, the complexity and evolving nature of certain aspects of our business and the significant uncertainty surrounding the regulation of the crypto economy require us to exercise our judgement as to whether certain laws, rules and regulations apply to us, and it is possible that governmental bodies and regulators may disagree with our conclusions. In addition, governmental authorities that oversee certain aspects of the cryptocurrency markets, including those in the United States and other jurisdictions, have taken actions based on current laws and regulations, and are likely to continue to issue new laws, rules and regulations governing the cryptocurrency industry in which we currently operate and may operate in the future. As a result, and as discussed further in “- We are subject to risks associated with legal, political or other conditions or developments regarding holding, using or mining of Bitcoin, which could negatively affect our business, results of operations and financial position,” existing and future regulations affecting the mining, holding, using, or transferring of cryptocurrencies may adversely affect our future business operations and results of operations, could subject us to significant fines and other regulatory consequences, and could result in our or our customers’ liability for activities conducted by our customers.

As described under “Item 4. Information on the Company—B. Business Overview—Regulation—Regulatory Overview of United States,” United States federal and state securities laws may specifically limit our ability and the ability of our customers to use our blockchain and telecommunications products where these operations are conducted in connection with cryptocurrencies that are considered “securities” for purposes of United States laws. We have designed new chips for mining cryptocurrencies other than Bitcoin, and the likely status of these cryptocurrencies as securities could limit distributions, transfers, or other actions involving such cryptocurrencies, including mining, in the United States. For example, the distribution of cryptocurrencies to miners through the mining process could be deemed to involve an illegal offering or distribution of securities subject to United States federal or state laws. In addition, miners on cryptocurrency networks could, under certain circumstances, be viewed as statutory underwriters or as “brokers” subject to regulation under the Exchange Act. This could require us or our customers to change, limit, or cease their mining operations, register as broker-dealers and comply with applicable laws, or be subject to penalties, including fines, or other regulatory consequences. In addition, we could face liability for facilitating their illegal activities.

By way of example, the SEC, U.S. state securities regulators and several foreign governments have issued warnings and instituted legal proceedings in which they argue that certain digital assets may be classified as securities and that both those digital assets and any related initial coin offerings or other primary and secondary market transactions are subject to securities regulations. For example, in June 2023, the SEC brought charges against Binance and Coinbase, and in November 2023, the SEC brought charges against Kraken, alleging that they operated unregistered securities exchanges, brokerages and clearing agencies. In its complaints, the SEC asserted that several digital assets are securities under the federal securities laws. The outcomes of these proceedings, as well as ongoing and future regulatory actions, have had a material adverse effect on the digital asset industry as a whole and on the price of Bitcoin, and may alter, perhaps to a materially adverse extent, the ability of the Company to continue to operate. Additionally, U.S. state and federal, and foreign regulators and legislatures have taken action against virtual currency businesses or enacted restrictive regimes in response to adverse publicity arising from hacks, consumer harm, or criminal activity stemming from virtual currency activity.

Further, if Bitcoin, Ethereum, or any other supported cryptocurrency or other digital asset is deemed to be a security under any United States federal, state, or foreign jurisdiction, or in a proceeding in a court of law or otherwise, it may have adverse consequences for such supported cryptocurrency or other digital asset, which could adversely affect our business, prospects, operations or financial condition. For instance, all transactions in such supported cryptocurrency or other digital asset would have to be registered with the SEC or other foreign authority, or conducted in accordance with an exemption from registration, which could severely limit its liquidity, usability and transactability. Moreover, the networks on which such supported cryptocurrency or digital assets are utilized may be required to be regulated as securities intermediaries, and subject to applicable rules, which could effectively render the network impracticable for its existing purposes. Further, it could draw negative publicity and a decline in the general acceptance of the cryptocurrency or other digital asset. Also, it may make it difficult for such supported cryptocurrency or other digital asset to be traded, cleared, and custodied as compared to other cryptocurrency or other digital assets that are not considered to be securities. Specifically, even if transactions in a cryptocurrency or other digital asset were registered with the SEC or conducted in accordance with an exemption from registration, the current intermediary-based framework for securities trading, clearances and settlements is not consistent with the operations of the digital asset market. For example, under current SEC guidance, cryptocurrency and other digital asset securities cannot be held on behalf of customers by broker-dealers that also support custody of traditional securities; and the SEC has not permitted public permissionless blockchain-based clearance and settlement systems for securities.

In addition, cryptocurrencies and other digital assets are, in certain instances, subject to additional U.S. laws and regulations related to transactions in commodities as enforced by the Commodity Futures Trading Commission (“CFTC”), and to money transmission, money service business, anti-money laundering, and know-your-customer (“KYC”) activities as enforced by the Department of the Treasury’s Financial Crimes Enforcement Network (“FinCEN”), and by state governments. We or our customers could be subject to regulatory restrictions or regulatory actions based on these laws and regulations.

Under the Investment Company Act of 1940, as amended (the “Investment Company Act”), a company may fall within the definition of an investment company under section 3I(1)(A) thereof if it is or holds itself out as being engaged primarily, or proposes to engage primarily in the business of investing, reinvesting or trading in securities, or under section 3(a)(1)(C) thereof if it is engaged or proposes to engage in business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire “investment securities” (as defined) having a value exceeding 40% of its total assets (exclusive of government securities and cash items) on an unconsolidated basis. There is no authoritative law, rule or binding guidance published by the SEC regarding the status of digital assets as “securities” or “investment securities” under the Investment Company Act. Although we believe that we are not engaged in the business of investing, reinvesting, or trading in investment securities, and we do not hold ourselves out as being primarily engaged, or proposing to engage primarily, in the business of investing, reinvesting or trading in securities, to the extent the digital assets which we own or otherwise acquire may be deemed “securities” or “investment securities” by the SEC or a court of competent jurisdiction, we may meet the definition of an investment company. If we fall within the definition of an investment company under the Investment Company Act, we would be required to register with the SEC. If an investment company fails to register, it likely would have to stop doing almost all business, and its contracts would become voidable. Generally non-U.S. issuers may not register as an investment company without an SEC order.

Cryptocurrencies and digital assets are recent technological innovations, and the regulatory schemes to which digital assets and their related exchanges may be subject have not been fully explored or developed by foreign jurisdictions. Thus, cryptocurrencies and other digital assets face an uncertain regulatory landscape in many foreign jurisdictions. Various foreign jurisdictions may from time to time adopt laws, regulations or directives that affect our cryptocurrency businesses. Due in part to its international nature and the nascent stage of regulation, along with the limited experience with cryptocurrencies and digital assets, and language barriers between international journalists, translators and regulators, information regarding the regulation of cryptocurrencies and other digital assets in various jurisdictions may be incomplete, inaccurate or unreliable. As both the regulatory landscape develops and journalistic familiarity with cryptocurrencies and other digital assets increase, mainstream media's understanding of cryptocurrencies, digital assets, and the regulation thereof may improve. As we enter into the markets in Australia, Singapore, the Bahamas, Hong Kong, New Zealand and the United States, we have retained local regulatory counsel and expect to continue to monitor the local regulations regarding cryptocurrencies, digital assets, and financial service platforms.

Various foreign jurisdictions have, and may continue to, in the near future, adopt laws, regulations or directives that affect a digital asset network, digital asset markets, and their users, particularly digital asset trading platforms and service providers that fall within such jurisdictions' regulatory scope. For example:

- As discussed herein, China has made transacting in cryptocurrencies illegal for Chinese citizens in mainland China, and additional restrictions may follow. China has banned initial coin offerings and there have been reports that Chinese regulators have taken action to shut down a number of China-based digital asset trading platforms.
- South Korea determined to amend its Financial Information Act in March 2020 to require virtual asset service providers to register and comply with its AML and counter-terrorism funding framework. These measures also provide the government with the authority to close digital asset trading platforms that do not comply with specified processes. South Korea has also banned initial coin offerings.
- The Reserve Bank of India in April 2018 banned the entities it regulates from providing services to any individuals or business entities dealing with or settling digital assets. In March 2020, this ban was overturned in the Indian Supreme Court, although the Reserve Bank of India is currently challenging this ruling.
- The United Kingdom's Financial Conduct Authority published final rules in October 2020 banning the sale of derivatives and exchange-traded notes that reference certain types of digital assets, contending that they are "ill-suited" to retail investors citing extreme volatility, valuation challenges and association with financial crime. A new law, the Financial Services and Markets Act 2023 ("FSMA"), received royal assent in June 2023. The FSMA brings digital asset activities within the scope of existing laws governing financial institutions, markets and assets.
- The Parliament of the European Union approved the text of the Markets in Crypto-Assets Regulation ("MiCA") in April 2023, establishing a regulatory framework for digital asset services across the European Union. MiCA is intended to serve as a comprehensive regulation of digital asset markets and imposes various obligations on digital asset issuers and service providers. The main aims of MiCA are industry regulation, consumer protection, prevention of market abuse and upholding the integrity of digital asset markets. MiCA was formally approved by the European Union's member states in 2023 and is expected to come into effect in 2024.

We therefore expect that regulations governing our current and planned business operations will vary from country to country as well as within countries. We cannot assure you that we will be familiar with local laws and regulations at all times when we establish digital asset and financial services platform businesses or develop any other business and operations in a foreign country. An increase in the regulation of such operations may affect our proposed businesses by increasing compliance costs or prohibiting certain or all of our proposed activities. In addition, existing and proposed laws and regulations can delay or impede the development of new products, result in negative publicity, decrease demand for our products, require significant management time and attention, and subject us to claims or other remedies, including fines or demands that we modify or cease existing business practices.

Furthermore, any action brought against us or our customers by a foreign regulator, or by an individual in a private action, based on foreign law could cause us or our customers to incur significant legal expenses and divert our management's attention from the operation of the business. If our or our customers' operations are found to be in violation of any laws and regulations, we or they may be subject to penalties associated with the violation, including civil and criminal penalties, damages and fines. This could in turn require us to curtail or cease all or some operations. Regulatory action or regulatory change could also decrease demand for our products and services, which would be harmful to the success of our business.

***The future development and growth of the cryptocurrency and digital assets industry is subject to a variety of factors that are difficult to predict and evaluate. If the cryptocurrency and digital assets industry does not grow as we expect, our business, operating results, and financial condition could be adversely affected***

Cryptocurrency assets built on blockchain technology were only introduced in 2008 and remain in the early stages of development. In addition, different digital assets are designed for different purposes. Bitcoin, for instance, was designed to serve as a peer-to-peer electronic cash system, while Ethereum was designed to be a smart contract and decentralized application platform. Many other digital asset networks, ranging from cloud computing to tokenized securities networks, have only recently been established. The further growth and development of any digital assets and their underlying networks and other cryptographic and algorithmic protocols governing the creation, transfer, and usage of digital assets represent a new and evolving paradigm that is subject to a variety of factors that are difficult to evaluate, including:

- many digital asset networks have limited operating histories, have not been validated in production, and are still in the process of developing and making significant decisions that will affect the design, supply, issuance, functionality, and governance of their respective digital assets and underlying blockchain networks, any of which could adversely affect their respective digital assets;
- many digital asset networks are in the process of implementing software upgrades and other changes to their protocols, which could introduce bugs, security risks, or adversely affect the respective digital asset networks;
- several large and prominent networks, including Bitcoin and Ethereum, are developing new features to address fundamental speed, scalability, and energy usage issues. If these issues are not successfully addressed, or are unable to receive widespread adoption, it could adversely affect the underlying cryptocurrency and other digital assets;
- security issues, bugs, and software errors have been identified with many digital assets and their underlying blockchain networks, some of which have been exploited by malicious actors. There are also inherent security weaknesses in some digital assets, such as when creators of certain digital asset networks use procedures that could allow hackers to counterfeit tokens. Any weaknesses identified with a digital asset could adversely affect its price, security, liquidity, and adoption. 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 compute or staking power on a digital asset network, as has happened in the past, it may be able to manipulate transactions, which could cause financial losses to holders, damage the network's reputation and security, and adversely affect its value;
- the development of new technologies for mining, such as improved ASICs, or changes in industry patterns, such as the consolidation of mining power in a small number of large mining farms, could reduce the security of blockchain networks, lead to increased liquid supply of digital assets, and reduce a digital asset's price and attractiveness;
- if rewards and transaction fees for miners or validators are not sufficiently high to attract and retain miners, a digital asset network's security and speed may be adversely affected, increasing the likelihood of a malicious attack;
- the governance of many decentralized blockchain networks is by voluntary consensus and open competition, and many developers are not directly compensated for their contributions. As a result, there may be a lack of consensus or clarity on the governance of any particular cryptocurrency network, a lack of incentives for developers to maintain or develop the network, and other unforeseen issues, any of which could result in unexpected or undesirable errors, bugs, or changes, or stymie such network's utility and ability to respond to challenges and grow; and
- many digital asset networks are in the early stages of developing partnerships and collaborations, all of which may not succeed and adversely affect the usability and adoption of the respective digital assets.

Various other technical issues have also been uncovered from time to time that resulted in disabled functionalities, exposure of certain users' personal information, theft of users' assets, and other negative consequences, and which required resolution with the attention and efforts of their global miner, user, and development communities. If any such risks or other risks materialize, and in particular if they are not resolved, the development and growth of the digital asset space may be significantly affected and, as a result, our business, operating results, and financial condition could be adversely affected.

***We may face challenges in regard to stringent licensing and regulatory requirements in the money services business that we operate***

The money services business industry is relatively competitive in the jurisdictions in which we carry out or intend to carry out such businesses. Apart from the fierce competition that we may face in this area, we may also face difficulty in penetrating the market. Regulators in various countries are imposing stricter licensing requirements towards new entrants. For instance, the Malaysian regulatory body is not only taking into consideration the aspect of compliance in granting the relevant licenses but also the value proposition of a business plan. The same is observed in Hong Kong and Australia, in which the relevant regulator requires a business plan as a prerequisite of granting a license. The Australian regulatory body imposes strict and ongoing obligations upon licensees of Australian Financial Services Licenses (“AFSL”), including, among others, the requirement to report transfer instructions by users and the business’ compliance with its obligations under anti-money laundering laws.

Given the current approach by those countries in which we conduct or intend to conduct business in, we might face uncertainty in connection with obtaining necessary licenses and approval before carrying out our money services business. The procedures and processes of obtaining such licenses and approval requires financial, human, and infrastructural resources. In the event that such licenses and approval are not granted by the relevant bodies, we might suffer from a loss even before the commencement of money services business in jurisdictions in which we intend to carry out such business. The risk disclosed herein is not abrogated upon the obtainment of requisite licenses and approval. As various countries seek to regulate the industry in a more comprehensive manner, more legal requirements may be put in place to maintain licenses and obtain approvals. The uncertainty of such future regulations also poses a substantial risk to us, which may adversely affect our business operations.

***The money service business in which we operate requires compliance with high and strict standards in order to manage the financial and technological risks to which we may be exposed and the establishment and maintenance of adequate infrastructures, and the failure to manage these risks will have a material adverse effect on our business***

In light of the various regulatory and compliance requirements in place with regards to money services businesses, we are expected to prepare and provide all mechanisms and infrastructures in order to meet such requirements. Such mechanisms and infrastructures must be established even during the license application stage, which include, *inter alia*, safekeeping users’ funds, data protection, anti-money laundering, consumer protection and preventing cyber and financial crimes. The need for these infrastructures connotes to having certain policies in place, which may include KYC procedures and a robust technological system which can aid in the identification, prevention and mitigation of such risks.

As discussed, the risks of running a money services business are multifaceted. The failure to establish and maintain such infrastructure could mean two things; *firstly*, we may face the risk of failing to obtain the relevant approval and license from applicable regulators, in countries where we intend to obtain such licenses such as Malaysia; and *secondly*, even in jurisdictions in which we have previously obtained license and approvals, such as in Hong Kong and Australia, we may face penalties imposed by applicable regulators which may include but are not limited to the suspension, revocation, and termination of such licenses and approvals should we breach any regulatory and compliance requirements. In addition to any threat to our licenses in the event of a breach, regulators also have the power to enforce pecuniary measures, including but not limited to significant fines and the commencement of legal proceedings. The possibility of such actions presents a financial, commercial, human resources and reputational risk to money services businesses, which must be mitigated by adequate funding, operational infrastructure and strict compliance controls. Failure to manage such risks may result in a material adverse effect to our business operations.

***Any decrease in our receipt of fees and charges, or limitations on our fees and charges, could adversely affect our business, results of operations and financial condition***

Our cross-border payment solutions include a variety of fees and charges associated with transactions. If the users of our products and services decrease their transaction activities, or the extent to which they use alternative services, our revenue in connection with the cross-border payment business could be materially adversely affected. In addition, several market factors can affect the amount of our fees and charges, including the market for similar charges for competitive products. Furthermore, regulators in relevant jurisdictions in which we conduct or intend to conduct our cross-border payment business have scrutinized the electronic payments industry’s pricing, charges and other practices related to its customers. Any restrictions on our ability to price our products and services could materially and adversely affect our revenue.

***In order to remain competitive and to continue to increase our revenues and earnings, we must continually and quickly update our services, a process that could result in higher costs and the loss of revenues, earnings and customers if the new services do not perform as intended or are not accepted in the marketplace***

The payments technology industry in which we compete is characterized by rapid technological change, new product introductions, evolving industry standards and changing customer needs. In order to remain competitive, we are continually involved in a number of projects, including the development of new platforms, mobile payment applications, e-commerce services and other new offerings emerging in the payments technology industry. These projects carry the risks associated with any development effort, including cost overruns, delays in delivery and performance problems. In the payments technology markets, these risks are even more acute. Any delay in the delivery of new services or the failure to differentiate our services could render our services less desirable to customers, or possibly even obsolete, which as a result could materially and adversely affect our revenue and results of operations.

***Our cross-border payment business depends on our relationships with banks and other financial institutions around the world, which may impose fees, restrictions and compliance burdens on us that make our operations more difficult or expensive***

Our cross-border payment business includes facilitation of payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations. Increased regulation and compliance requirements are impacting these businesses by making it more costly for us to provide our solutions or by making it more cumbersome for businesses to do business with us. Any factors that increase the cost of cross-border trade for us or our customers or that restrict, delay, or make cross-border trade more difficult or impractical, such as trade policy (including restrictions arising out of the Russian and Ukrainian conflict) or higher tariffs, could negatively impact our revenues and harm our business. We may also have difficulty establishing or maintaining banking relationships needed to conduct our services due to banks' policies.

***Future developments regarding the treatment of digital assets for U.S. and foreign tax purposes could adversely impact our business***

Due to the new and evolving nature of digital assets and the absence of comprehensive legal and tax guidance with respect to digital asset products, services and transactions, many significant aspects of the U.S. and foreign tax treatment of transactions involving digital assets, such as the purchase and sale of cryptocurrency assets on our platform, as well as the provision of staking rewards and other cryptocurrency asset incentives, are uncertain, and it is unclear whether, when and what guidance may be issued in the future on the treatment of cryptocurrency asset transactions for U.S. and foreign income tax purposes.

In 2014, the IRS released Notice 2014-21, discussing certain aspects of "virtual currency" for U.S. federal income tax purposes and, in particular, stating that such virtual currency (i) is "property," (ii) is not "currency" for purposes of the rules relating to foreign currency gain or loss, and (iii) may be held as a capital asset. In 2019, the IRS released Revenue Ruling 2019-24 and a set of "Frequently Asked Questions" (which have been periodically updated), that provide additional guidance, including guidance to the effect that, under certain circumstances, hard forks of digital currencies are taxable events giving rise to ordinary income and guidance with respect to the determination of the tax basis of virtual currency. However, this guidance does not address other significant aspects of the U.S. federal income tax treatment of digital assets and related transactions.

There continues to be uncertainty with respect to the timing, character and amount of income inclusions for various digital asset transactions including, but not limited to lending and borrowing digital assets, staking rewards and other digital asset incentives that we offer. Although we believe our treatment of digital asset transactions for federal income tax purposes is consistent with existing guidance provided by the IRS and existing U.S. federal income tax principles, because of the rapidly evolving nature of digital asset innovations and the increasing variety and complexity of digital asset transactions and products, it is possible that the IRS and various U.S. states may disagree with our treatment of certain digital asset offerings for U.S. tax purposes, which could adversely affect our customers and the vitality of our business and platforms.

There can be no assurance that the IRS, the U.S. state revenue agencies or other foreign tax authorities will not alter their respective positions with respect to digital assets in the future or that a court would uphold the treatment set forth in existing guidance. It also is unclear what additional guidance may be issued in the future on the treatment of existing digital asset transactions and future digital asset innovations for purposes of U.S. tax or other foreign tax regulations. Any such alteration of existing IRS, U.S. state and foreign tax authority positions or additional guidance regarding digital asset products and transactions could result in adverse tax consequences for holders of digital assets and could have an adverse effect on the value of digital assets and the broader digital asset markets. Future technological and operational developments that may arise with respect to digital assets may increase the uncertainty with respect to the treatment of digital assets for U.S. and foreign tax purposes. The uncertainty regarding tax treatment of digital asset transactions impacts our customers, and could impact our business, both domestically and abroad.

***Our results of operations have been, and are expected to continue to be, significantly impacted by the fluctuation of cryptocurrency prices, especially the price of Bitcoin***

Our mining machines are currently designed primarily for Bitcoin mining. The demand for, and pricing of, our mining machines are therefore affected by the expected economic returns of Bitcoin mining activities, which in turn are primarily driven by, among other factors, the Bitcoin price. The price of Bitcoin has experienced significant fluctuations over its short existence and may continue to fluctuate significantly in the future.

We expect our results of operations to continue to be affected by cryptocurrency prices and global cryptocurrency market environment and development trends, as we generated 77.3%, 79.8% and 5.5% of our revenue from sales of our Bitcoin mining machines and related accessories in 2021, 2022 and 2023, respectively, and 5.5%, 0% and 0% from provision of mining machine hosting services in the same periods, respectively. We halted all mining machine custody services in the PRC at the end of April 2021. With the launch of our two cryptocurrency exchange platforms, and our plan to develop and operate future cryptocurrency exchange platforms, we anticipate that we will generate an increasing amount of our total revenue from transaction fees on our platforms in connection with the purchase, sale, and trading of cryptocurrency assets by our customers. Due to major cryptocurrency exchange platforms declaring bankruptcy in 2022 and fluctuations in cryptocurrency prices, which negatively impacted the cryptocurrency trading market, we have not generated material revenue from our cryptocurrency exchange products and services. As such, any declines in the volume of cryptocurrency assets transactions, the price of cryptocurrency assets, or market liquidity for cryptocurrency assets generally will likely have a material and adverse effect on our results of operations and financial condition. We cannot assure you that the Bitcoin price or Bitcoin network transaction fees will remain high enough to sustain the demand for our Bitcoin mining machines or that cryptocurrency prices will not decline significantly in the future. At the same time, if transaction fees increase to such an extent as to discourage users from using cryptocurrency as a medium of exchange, it may decrease the transaction volume of the digital assets and may affect the demand for our Bitcoin mining machines and cryptocurrency exchange businesses. Furthermore, fluctuations in cryptocurrency prices, especially in Bitcoin price, can have an immediate impact on the trading price of our Class A ordinary shares even before our financial performance is affected, if at all.

In addition to the market volatility, various other factors, mostly beyond our control, could impact cryptocurrency prices. For example, the usage of cryptocurrency in the retail and commercial marketplace is relatively low in comparison with the usage for speculation, which contributes to cryptocurrency price volatility. Renowned persons, including social media influencers, may also publicly discuss their holdings (or the holdings of companies with which they are affiliated) of cryptocurrency or their intent to buy or sell large quantities of cryptocurrency. At a minimum, these public statements delivered through social media, such as on the X platform (formerly known as Twitter), may cause cryptocurrency prices to experience significant volatility.

In addition, any shortage of power supply due to government control measures or other reasons, and any increase in energy costs, would raise the costs of Bitcoin mining. This in turn could affect our customers' expected economic return for mining activities and the demand for and pricing of our current Bitcoin mining machines and future hosting services.

Furthermore, fluctuations in the Bitcoin price may affect the value of our inventory as well as the provision we make to our inventory as we manage it based on, among others, the sales forecast of our Bitcoin mining machines. As we generally increase our procurement volume and stock up finished goods for the launch of new products or we expect a surge of demand of Bitcoin mining machines, a significant drop in the Bitcoin price can lead to a lower expected sales price and excessive inventory, which in turn will lead to impairment losses with respect to such inventory. For example, in 2021, 2022 and 2023, as a result of the significant fluctuation of the Bitcoin price, we recorded write-downs for the potentially obsolete, slow-moving inventory and lower of cost or market adjustment of US\$2.2 million, US\$6.5 million and US\$0.3 million and in cost of revenues, respectively, which in turn had a significant negative impact on our profitability. If the Bitcoin price drops significantly in the future, we may need to make similar write-downs again. To the extent that we are able to sell such inventory above its carrying value, our gross profit may also be inflated by such write down.

The Bitcoin price volatility also adversely impacted the ability of our customers who purchased our Bitcoin mining products to make payments. We offered sales on credit to some of our customers in response to the Bitcoin price drop in 2021 and 2022 and may continue to offer credit sales during high Bitcoin price volatility. Additionally, if the Bitcoin price drops significantly in the future, we may need to offer to certain of our customers price concession, even if we generally do not offer price concessions to customers. We did not provide price concessions to customers in 2021, 2022 and 2023. However, we cannot assure you that we will not provide such price concession in the future. If we provide any price concession to our customers in the future, our revenues and results of operations may be adversely affected.

***We have historically derived a significant portion of our revenues from our Bitcoin mining machines business. If the market for Bitcoin mining machines ceases to exist or diminishes significantly, our business, results of operations and financial condition may be materially and adversely affected***

We have historically generated a significant portion of our revenues from sales of our Bitcoin mining machines. We adjusted and shall continue to actively adjust our strategy, including allocating resources, and controlling costs and expenses, based on changes in market conditions at any given time. Sales of our Bitcoin mining machines and related accessories accounted for 77.3%, 79.8% and 5.5% of our revenues in 2021, 2022 and 2023, respectively. Revenues from provision of mining machine hosting services accounted for 5.5%, 0% and 0% of our revenues in 2021, 2022 and 2023, respectively, as we have halted all mining machine custody services in the PRC at the end of April 2021. If the market for Bitcoin mining machines ceases to exist or diminishes significantly, we would experience a significant loss of sales, cancelation of orders, or loss of customers for our Bitcoin mining machines. Adverse factors that may affect the market for Bitcoin mining machines include:

- Another cryptocurrency, especially one that is not created using the same mining processes as Bitcoin, displaces Bitcoin as the mainstream cryptocurrency, thereby causing Bitcoin to lose value or become worthless, which could adversely affect the sustainability of our business.
- Bitcoin fails to gain wide market acceptance and fails to become a generally accepted medium of exchange in the global economy due to certain inherent limitations to cryptocurrencies.
- Over time, the reward for Bitcoin mining will decline in terms of the amount of Bitcoin awarded, which may reduce the incentive to mine Bitcoin. Specifically, a recent halving event occurred in May 2020, and Bitcoins are expected to be fully mined out by the year of 2140. Therefore, Bitcoin mining machines may become less productive as the available rewards for Bitcoin mining continue to decrease.

If we cannot maintain the scale and profitability of the sales of our Bitcoin mining machines and, at the same time, successfully expand our business in other application markets, our business, results of operations, financial condition and prospects will suffer. Furthermore, excess inventory, inventory markdowns, brand image deterioration and margin squeeze caused by declining economic returns for miners or pricing competition for our Bitcoin mining machines could all have a material and adverse effect on our business, results of operations and financial condition.

Further, while historically, China was a location of significant digital asset mining at low electric power rates, China's and other foreign countries' governments have taken action to prohibit or significantly restrict digital asset mining. For example, in May and June of 2021, in their efforts to curb digital asset trading and mining, regulators in several Chinese Provinces, including Qinghai, Inner Mongolia and Sichuan, announced policies to curb or ban local digital asset mining operations. Within a month following the ban announcement, the price of Bitcoin experienced a drop of over 30%. It is now illegal to engage in digital asset transactions including Bitcoin mining operations in China. Additionally, in January 2022, the Central Bank of Russia called for a ban on cryptocurrency activities ranging from mining to trading. Whether or not the lack of mining activity domestically or internationally will negatively impact miner manufacturing and the development, price, availability of new and enhanced mining equipment is unknown. Should China or other countries that currently ban or restrict digital asset mining seek to enhance further restrictions on mining activities, or should other jurisdictions follow suit, the likely decrease in mining activity would likely reduce our revenue and profitability, and it is possible that our industry may not be able to withstand the sudden and extreme loss of mining power.

***If a malicious actor or botnet obtains control of more than 50% of the processing power on the Bitcoin Network, or otherwise obtains control over the Bitcoin Network through its influence over core developers or otherwise, such actor or botnet could manipulate the Blockchain to adversely affect the ability of the Company to operate***

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 on the Bitcoin Network, it may be able to alter the Blockchain on which transactions in Bitcoin rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could also control, exclude or modify the ordering of transactions. Although the malicious actor or botnet would not be able to generate new tokens or transactions using such control, it could "double-spend" its own tokens (i.e., spend the same tokens in more than one transaction) and prevent the confirmation of other users' transactions for so long as it maintained control. To the extent that such malicious actor or botnet did not yield its control of the processing power on the Bitcoin Network or the Bitcoin community did not reject the fraudulent blocks as malicious, reversing any changes made to the Blockchain may not be possible. Further, a malicious actor or botnet could create a flood of transactions in order to slow down the Bitcoin Network.

For example, in August 2020, the Ethereum Classic Network was the target of two double-spend attacks by an unknown actor or actors that gained more than 50% of the processing power of the Ethereum Classic Network. The attack resulted in reorganizations of the Ethereum Classic Blockchain that allowed the attacker or attackers to reverse previously recorded transactions in excess of over \$5.0 million and \$1.0 million.

In addition, in May 2019, the Bitcoin Cash network experienced a 51% attack when two large mining pools reversed a series of transactions in order to stop an unknown miner from taking advantage of a flaw in a recent Bitcoin Cash protocol upgrade. Although this particular attack was arguably benevolent, the fact that such coordinated activity was able to occur may negatively impact perceptions of the Bitcoin Cash network. Any similar attacks on the Bitcoin Network could negatively impact the value of Bitcoin and Company's ability to operate.

Although there are no known reports of malicious activity on, or control of, the Bitcoin Network, it is believed that certain mining pools may have exceeded the 50% threshold on the Bitcoin Network. The possible crossing of the 50% threshold indicates a greater risk that a single mining pool could exert authority over the validation of Bitcoin transactions, and this risk is heightened if over 50% of the processing power on the network falls within the jurisdiction of a single governmental authority. If network participants, including the core developers and the administrators of mining pools, do not act to ensure greater decentralization of Bitcoin mining processing power, the feasibility of a malicious actor obtaining control of the processing power on the Bitcoin Network will increase, which may adversely affect the Company's ability to operate.

There are also concerns that blockchain “bloat” could also contribute to the conditions leading to a 51% attack. As the size of a blockchain grows larger, it requires higher amounts of resources to initially synchronize and validate the entire blockchain. If some potential miners are excluded because these costs become prohibitive, Bitcoin processing power may become more concentrated in a smaller number of parties, increasing the feasibility of a malicious actor to obtain control of the processing power on the Bitcoin Network, which may adversely affect the Company’s ability to operate.

A malicious actor may also obtain control over the Bitcoin Network through its influence over core developers by gaining direct control over a core developer or an otherwise influential programmer. To the extent that the Bitcoin ecosystem does not grow, the possibility that a malicious actor may be able to obtain control of the processing power on the Bitcoin Network in this manner will remain heightened. To the extent any of these events occur, this could have a material adverse effect on our ability to operate our Bitcoin mining business.

***If the Bitcoin Network is used to facilitate illicit activities, businesses that facilitate transactions in Bitcoin could be at increased risk of criminal or civil lawsuits, or of having services cut off, which could negatively affect the price of Bitcoin and the profitability of the Company***

Digital asset networks have in the past been, and may continue to be, used to facilitate illicit activities. If the Bitcoin Network is used to facilitate illicit activities, businesses that facilitate transactions in Bitcoin could be at increased risk of potential criminal or civil lawsuits, or of having banking or other services cut off, and Bitcoin could be removed from digital asset trading platforms as a result of these concerns. Other service providers of such businesses may also cut off services if there is a concern that the Bitcoin Network is being used to facilitate crime. Any of the aforementioned occurrences could increase regulatory scrutiny of the Bitcoin Network and/or adversely affect the price of Bitcoin, the attractiveness of the Bitcoin Network and the Company’s ability to operate.

***Competition from central bank digital currencies (“CBDCs”) could adversely affect the value of Bitcoin and other digital assets***

Central banks in some countries have started to introduce digital forms of legal tender. For example, China’s CBDC project was made available to consumers in January 2022, and governments from Russia to the European Union have been discussing the potential creation of new digital currencies. A 2021 survey of central banks by the Bank for International Settlements found that 86% are actively researching the potential for CBDCs, 60% were experimenting with the technology and 14% were deploying pilot projects. Whether or not they incorporate blockchain or similar technology as legal tender in the issuing jurisdiction, CBDCs could have an advantage in competing with, or replace, Bitcoin and other cryptocurrencies as a medium of exchange or store of value. As a result, the value of Bitcoin could decrease, which could have a material adverse effect on our business, prospects, financial condition, and operating results.

### ***Increasing mining difficulty and decreasing mining rewards could result in downward pressure on the expected economic returns on Bitcoin mining***

The difficulty of Bitcoin mining, or the amount of computational resources required for a set amount of reward for recording a new block, directly affects the expected economic returns for Bitcoin miners, which in turn affects the demand for our Bitcoin mining machines. Bitcoin mining difficulty is a measure of how much computing power is required to record a new block, and it is affected by the total amount of computing power in the Bitcoin network. The Bitcoin algorithm is designed so that one block is generated, on average, every ten minutes, no matter how much computing power is in the network. Thus, as more computing power joins the network, and assuming the rate of block creation does not change (remaining at one block generated every ten minutes), the amount of computing power required to generate each block and hence the mining difficulty increases. In other words, based on the current design of the Bitcoin network, Bitcoin mining difficulty would increase together with the total computing power available in the Bitcoin network, which is in turn affected by the number of Bitcoin mining machines in operation. From January 2017 to December 2023, Bitcoin mining difficulty increased by approximately 214 times, according to BTC.com. As a result, a strong growth in sales of our Bitcoin mining machines can contribute to further growth in the total computing power in the network, thereby driving up the difficulty of Bitcoin mining and resulting in downward pressure on the expected economic return of Bitcoin mining and the demand for, and pricing of, our products.

In addition, the number of Bitcoin awarded for solving a block in the blockchain halves approximately every four years until the estimated complete depletion of Bitcoin by around the year 2140. In each of 2013, 2014 and 2015, approximately 25 Bitcoin were awarded for each block solved. The number of Bitcoin awarded for solving a block halved in 2016 to 12.5 Bitcoin per block, and halved again in May 2020 to 6.25 Bitcoin per block, and halved again on April 19, 2024 to 3.125 Bitcoin per block. If the digital asset rewards for mining blocks or the transaction fees for recording transactions on the Bitcoin Network are not sufficiently high to incentivize miners, or if certain jurisdictions continue to limit or otherwise regulate mining activities, miners may cease expending processing power to mine blocks and confirmations of transactions on the Bitcoin Blockchain could be slowed. Currently, the fixed reward for solving a new block is 3.125 Bitcoin per block. The number of Bitcoin rewarded for solving a new block is expected to decrease by half after every 210,000 blocks. The next halving is expected to occur roughly every four years, until the number of Bitcoin in existence reaches the pre-determined 21 million Bitcoin. We have experienced declined demand for Bitcoin mining machines since the Bitcoin halving events in May 2020 and April 2024 as the mining rewards were slashed and the expected economic returns on Bitcoin mining was adversely affected.

Aside from mining rewards, transaction fees are another form of incentive for participation in Bitcoin verification processes. Bitcoin users may offer to pay a discretionary Bitcoin transaction fee to the network member who solves the block and adds that user's transaction to the blockchain to incentivize prioritizing that user's transaction. Transaction fees are discretionary, so if the transaction fees were to become the only or primary income for Bitcoin mining activities in the future, the expected economic returns from Bitcoin mining and therefore the demand for our products will decrease significantly, which will result in a significant negative impact on our business and results of operations.

***Our business growth is dependent on the development of blockchain technology and applications, particularly in the field of Bitcoin***

We have historically derived our revenue predominantly from our blockchain products business. The development of blockchain technology is still in a relatively early stage, and there can be no assurance that blockchain applications, including those in the fields of cryptocurrencies and other areas such as artificial intelligence, will gain wide market acceptance. Any blockchain application may become redundant or obsolete with the introduction of new competing technologies or products. If market acceptance or confidence in blockchain technology is lost or reduced for any reason, such as due to cybersecurity issues, the demand for our existing or future blockchain products may decline.

Our blockchain products business depends significantly on the development of cryptocurrency applications, in particular, Bitcoin applications, as all of our mining machines are currently designed for Bitcoin mining. The cryptocurrency market is rapidly and continuously evolving. Any actual or perceived adverse development in Bitcoin or other cryptocurrencies can significantly affect market demand for mining activities, mining machines and cryptocurrency transactions. In addition, any event or rumor that generates negative publicity for the cryptocurrency market could hinder the development and reduce market acceptance of cryptocurrency applications. Under such circumstances, our business, results of operations and financial condition could be materially and adversely affected.

***Changes in the governance of a digital asset network may not receive sufficient support from users and miners, which may negatively affect that digital asset network's ability to grow and respond to challenges***

The governance of decentralized networks, such as the Bitcoin and Ethereum networks, is by voluntary consensus and open competition. As a result, there may be a lack of consensus or clarity on the governance of any particular decentralized digital asset network, which may stymie such network's utility and ability to grow and face challenges. The foregoing notwithstanding, the protocols for some decentralized networks, such as the Bitcoin Network, are informally managed by a group of core developers that propose amendments to the relevant network's source code. Core developers' roles evolve over time, largely based on self-determined participation. If a significant majority of users and miners were to adopt amendments to a decentralized network based on the proposals of such core developers, such network would be subject to new protocols that may adversely affect the value of the relevant digital asset.

As a result of the foregoing, it may be difficult to find solutions or marshal sufficient effort to overcome any future problems, especially long-term problems, on digital asset networks.

***If we are unable to manage our growth or execute our strategies effectively, our business, results of operations and financial condition may be materially and adversely affected***

We are in the process of developing integrated circuits (the “ICs”) for mining other cryptocurrencies in order to adapt our future models of mining machines to other cryptocurrencies promptly and efficiently when all the Bitcoins have been discovered or Bitcoin is replaced by other cryptocurrencies as mainstream cryptocurrencies. We began to provide mining machine hosting services in 2017 and intend to leverage our experience in the mining machine industry to establish compliant mining farms and provide overseas cryptocurrency exchange services to the cryptocurrency community in order to diversify our offerings. We have halted all mining machine custody services in the PRC at the end of April 2021, and we are in the process of locating and/or constructing compliant mining farms in North America. As of the date of this annual report, we have been operating a cryptocurrency exchange platform and a cross-border payment and foreign exchange platform outside the PRC; have received the Money Services Business (MSB) License in Canada; received registration approval as a digital currency exchange provider, acquired a company with an AFSL and obtained registration approval as an independent remittance dealer in Australia; received the Money Service Operator (MSO) License, Type 4 and 9 licenses, the Trust or Company Service Provider (TCSP) license and registration approval as a Trust Company in Hong Kong, and received registration as a Digital Asset Business and a Firm Dealing in Securities as Agent or Principal, Arranging Deals, Managing Securities and Advising on Securities in the Bahamas; and we are in the process of obtaining relevant licenses and approvals for our subsidiaries in Singapore, Hong Kong, Australia, New Zealand and Malaysia to engage in additional Fintech businesses. We may fail to successfully execute our expansion plan due to our limited resources and other reasons beyond our control. For example, the gain we make from running compliant mining farms may not cover our operating expenses due to a prolonged depression of cryptocurrency prices, and our Fintech related services may be unable to compete effectively with other similar services already available to the Fintech community. Should we fail to successfully manage our growth or implement our strategies, the resources we allocate to the new business lines will be wasted, and our business, results of operations and financial condition could be materially and adversely affected.

***Each of our subsidiaries in Hong Kong, Canada, Singapore, the Bahamas, New Zealand, the United States and Malaysia have a limited operating history, which makes it hard for us to evaluate their abilities to generate revenue through operations, and to date, each of them has not generated material revenue from any commercially available blockchain products or Fintech services***

Our subsidiaries in Hong Kong, Canada, Australia Singapore, the Bahamas, New Zealand, the United States and Malaysia were recently formed between August 2020 and February 2023 for the purpose of establishing our blockchain and Fintech businesses. Their limited operating history and the relative immaturity of the blockchain and Fintech industries make it difficult for us to evaluate their current business and future prospects. They have encountered, and will continue to encounter, risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges in forecasting accuracy, determining appropriate uses of their limited resources, gaining market acceptance, managing a complex and evolving regulatory landscape and developing new products. These subsidiaries’ current or future operating model may require changes in order for them to scale their operations efficiently and be successful. Investors in our securities should consider the business and prospects of our overseas subsidiaries in these countries in light of the risks and difficulties they face as early-stage companies focused on developing products in the field of Fintech.

***We may not successfully develop, market or launch any future Fintech businesses or continue operating our existing Fintech businesses***

As of the date of this annual report, we operate a self-developed proprietary cryptocurrency exchange platform named Ebonex and a cross-border payment and foreign exchange platform named EbonFX in Australia. In September 2020, we received the MSB License from the Financial Transactions and Reports Analysis Centre of Canada, which allows us to engage in foreign exchange dealing, money transferring and dealing in virtual currencies in Canada. In December 2021 and March 2022, we received registration approval from the Australian Transaction Reports and Analysis Centre (the "AUSTRAC") as a digital currency exchange provider and acquired a company with an AFSL for engaging in financial services in Australia. In September and December 2021, we received the TCSP Licenses from the Companies Registry of Hong Kong, which allows us to carry on a trust or company service business in Hong Kong. In January 2022, we received registration approval as a Trust Company from the Companies Registry of Hong Kong, which allows us to engage in trust related business in Hong Kong. In September 2022, we received the Type 4 and 9 licenses from the Securities and Futures Commission in Hong Kong, which allows us to carry on advising on securities and asset management service. In November 2022, we received registration as a Firm Dealing in Securities as Agent or Principal, Arranging Deals, Managing Securities and Advising on Securities from Securities Commission of The Bahamas, which allows us to carry on securities activities in and from the Commonwealth of The Bahamas. In January 2023, we received registration as a Digital Asset Business from Securities Commission of The Bahamas, which allows us to carry on digital asset business activities in and from the Commonwealth of The Bahamas. In March 2023, we received the MSO license from Customs and Excise Department in Hong Kong, which allows us to operate money changing and remittance services. In April 2023, we received another registration approval from the AUSTRAC as a digital currency exchange provider and registration approval as an independent remittance dealer on the AUSTRAC Remittance Sector Register. We are in the process of obtaining relevant licenses and approvals for our subsidiaries in Singapore, Hong Kong, Australia, New Zealand and Malaysia to engage in additional Fintech businesses and we are at an initial preparatory stage of the construction of regulatory compliant mining farms in North America. There is no guarantee that we will receive any additional required approvals and licenses for our proposed businesses in such jurisdictions in a timely manner or on commercially reasonable terms, or at all, or that we will commence the proposed businesses as planned, if at all. Additionally, as we have limited experience in operating the proposed business, we will need to obtain additional management, regulatory compliance technical expertise and devote substantial time and effort to these initiatives, which may not be as profitable as we expected or at all. We will also need to obtain additional capital resources to pursue development of Fintech businesses, and we may not be successful in raising that capital. In addition, we may face relevant restrictions from existing and future regulations in connection with our expansion into this line of business. While we have been closely monitoring the development of the relevant regulations and have been in communication with regulatory authorities, this business initiative may not be viable due to regulatory concerns. Our plan to develop, market or launch any future cryptocurrency exchanges or to continue operating our existing cryptocurrency exchanges may suffer significant delays in our efforts and may ultimately not be successful. It is possible that the launch of our future Fintech businesses may never occur, and even if the proposed business is successfully developed, it is possible that it will not be accessed or utilized by a sufficient number of users or will otherwise not achieve a viable business scale or market acceptance.

***We depend on major mobile operating systems and third-party platforms for the distribution of certain products and services. If Google Play, the Apple App Store, or other platforms prevent customers from downloading our apps, our ability to grow may be adversely affected***

We rely upon third-party platforms for the distribution of certain products and services. Our Ebonex apps are provided to eligible users as free applications through both the Apple App Store and the Google Play Store. The Google Play Store and Apple App Store are global application distribution platforms and the main distribution channels for our apps. As such, the promotion, distribution, and operation of our apps are subject to the respective platforms' terms and policies for application developers, which are very broad and subject to frequent changes and re-interpretation. Further, these distribution platforms often contain restrictions related to cryptocurrency assets that are uncertain, broadly construed, and can limit the nature and scope of services that can be offered. If our products are found to be in violation of any such terms and conditions, we may no longer be able to offer our products through such third-party platforms. There can be no guarantee that third-party platforms will continue to support our product offerings, or that customers will be able to continue to use our products. Any changes, bugs, technical or regulatory issues with third-party platforms, our relationships with mobile manufacturers and carriers, or changes to their terms of service or policies could degrade our products' functionalities, reduce or eliminate our ability to distribute our products, give preferential treatment to competitive products, limit our ability to deliver high quality offerings, or impose fees or other charges, any of which could affect our product usage and harm our business.

***Our intellectual property rights are valuable, and any inability to protect them could adversely impact our business, operating results, and financial condition***

Our business depends in large part on our proprietary technology and our brand. We rely on, and expect to continue to rely on, a combination of patent, trademark, trade dress, domain name, copyright, and trade secrets, as well as confidentiality and license agreements with our employees, contractors, consultants, and third parties with whom we have relationships, to establish and protect our brand and other intellectual property rights. However, our efforts to protect our intellectual property rights may not be sufficient or effective. Our proprietary technology and trade secrets could be lost through misappropriation or breach of our confidentiality and license agreements, and any of our intellectual property rights may be challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. There can be no assurance that our intellectual property rights will be sufficient to protect against others offering products, services, or technologies that are substantially similar to ours and that compete with our business. As a result, we may be forced into an adverse price competition that reduces our profit margin.

Our ability to successfully defend intellectual property challenges from competitors and other parties may depend, in part, on our ability to counter-assert our patents defensively. Effective protection of our intellectual property may be expensive and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights. As we have grown, we have sought to obtain and protect our intellectual property rights in an increasing number of countries, a process that can be expensive and may not always be successful. In some instances, patent applications or patents may be abandoned or allowed to lapse, resulting in partial or complete loss of patent rights in a relevant jurisdiction. Further, intellectual property protection may not be available to us in every country in which our products and services are available. For example, some foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against certain third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. We may also agree to license our patents to third parties as part of various patent pools and open patent projects. Those licenses may diminish our ability, though, to counter-assert our patents against certain parties that may bring claims against us. Even when we are able to obtain intellectual property rights protections, there is no guarantee that we will be able to effectively enforce our rights. In this respect, we may incur expenses and efforts to monitor and enforce our intellectual property rights. Infringement of our intellectual property rights and the resulting diversion of resources to protect such rights through litigation or other means could also adversely affect our profitability.

***If Bitcoin is replaced by other cryptocurrencies as the mainstream cryptocurrency, we will lose the market for our current mining machines and our results of operations will be materially and adversely affected***

Although we have begun to develop new chips for mining other cryptocurrencies, all of our revenue from sales of cryptocurrency mining machines was generated from the sale of mining machines designed for Bitcoin mining as of the date of this annual report. We face the risk that other cryptocurrencies could replace Bitcoin as the largest cryptocurrency, which may in turn negatively impact the value of Bitcoin and diminish interest in mining Bitcoin. Acceptance of Bitcoin may decline due to various reasons such as the following:

- potential changes in Bitcoin's algorithms or source code that may negatively impact user acceptance;
- patches, upgrades, attacks or hacking of Bitcoin's infrastructure that may undermine user interest or confidence;
- usage of Bitcoin for illicit or illegal activities by bad actors that may erode public perception of Bitcoin; or
- hacking, fraud or other problems with Bitcoin exchanges, wallets or other related infrastructure, that may negatively impact user confidence.

If fewer people accept Bitcoin currency or fewer merchants accept Bitcoin as a payment method, Bitcoin may decline in value. Although Bitcoin is currently the largest cryptocurrency by market capitalization, a substantial amount of Bitcoin-related transactions may be speculation-related and a technological breakthrough in the form of a preferred cryptocurrency is a continuous threat. Digital asset technology is rapidly advancing and changing and new digital assets are created regularly. New digital assets competing with the digital assets we specialize in (such as Bitcoin) may increase in popularity and in turn cause a decline in the value of Bitcoin, which may in turn lead to a decline in the Bitcoin network and our ability to generate revenue from our current mining activities. This may include the development of so-called central bank digital currencies (“CBCDs”). Many governments around the world, and central banks are reportedly considering or studying the potential for CBCDs, including the Australian federal government and the Reserve Bank of Australia and the United States Federal Reserve. Other cryptocurrencies may be designed with algorithms that are not compatible with the kind of computing done by ASIC chip mining machines. If such a cryptocurrency were to become dominant, our existing technological know-how may not be applicable in creating hardware for participants in that cryptocurrency network, and we may face greater competition from new players. In addition, since the value of and support for Bitcoin depend entirely on the community using it, any disagreement between the users may result in the splitting of the network to support other cryptocurrencies and the users may sell all their Bitcoin and switch to other cryptocurrencies. As a result, our mining machines and our results of operations would be materially and adversely affected.

***We rely on a limited number of third parties to fabricate our ASIC chips, which are the core technology used in our mining machines***

The ASIC chip is the key component of a mining machine as it determines the efficiency of the device. Currently, only a small number of wafer foundries in the world are capable of producing the highly sophisticated silicon wafers used for ASIC chips. Therefore, the ability to source high-quality wafers is a major barrier to entry for new entrants and has provided us with a great competitive advantage in the market.

As of the date of this annual report, all of our ASIC wafers were fabricated by Samsung. We principally purchased ASIC chips either directly from Samsung or through intermediaries that purchased from Samsung. However, this arrangement does not guarantee that Samsung will reserve foundry capacity for us, which we believe is in line with market arrangements with other wafer foundries. As such, there are risks that Samsung may be unable to accept our purchase orders or continue their supply of ASIC wafers to us. Such changes may result in delays to our production, which could negatively affect our reputation and results of operations.

In order to diversify our ASIC chips suppliers, we have established working relations with Taiwan Semiconductor Manufacturing Company, Limited (“TSMC”), since November 2017. However, we cannot guarantee that we will be able to continue to source ASIC wafers from Samsung or TSMC on the same or similar terms or in a timely manner, or start to source ASIC wafers from other suppliers. In addition, replacing a supplier may require that we divert attention and resources away from our business. We may also suffer lower gross profit margins if we fail to pass on any additional costs to our customers. As a result, a change in our relationship with Samsung or TSMC could have a significant negative impact on our business, financial condition and results of operation.

We depend on a limited number of suppliers to allocate to us a portion of their manufacturing capacity sufficient to meet our needs, to produce products of acceptable quality and at acceptable final test yields, and to deliver those products to us on a timely basis and at acceptable prices. These suppliers may raise prices or may be unable to meet our required capacity for any reason, such as shortages or delays in the shipment of semiconductor equipment or raw materials required to manufacture our ICs. If these third-party foundry partners fail to succeed in their technology migration or secure enough semiconductors, they will not be able to deliver to us qualified ICs in a sufficient amount, which will significantly affect our technological advancement and shipment of Bitcoin mining machines. This could in turn result in lost sales and have a material adverse effect on our relationships with our customers and on our business and financial condition. In addition, our business relationships with the suppliers may deteriorate. For example, in November 2019, we brought a legal action against a then-major supplier for breach of contract for delivering defective products. Under such circumstances, we may not be able to obtain the required capacity and would have to seek alternative suppliers, which may not be available on commercially reasonable terms, or at all. Moreover, it is possible that other customers of these suppliers that are larger and/or better financed than we are, or that have long-term contracts with them, may receive preferential treatment in terms of capacity allocation or pricing. In addition, if we do not accurately forecast our capacity needs, these suppliers may not have available capacity to meet our immediate needs or we may be required to pay higher costs to fulfill those needs, either of which could materially and adversely affect our business, financial condition and results of operations.

In particular, the production of our ASICs may require advanced IC fabrication technologies. Foundries other than Samsung or TSMC, however, might not have sufficient production capacity for such technologies, or at all, to meet our requirements. This may expose us to risks associated with engaging new foundries. For example, using foundries with which we have not established relationships could expose us to potentially unfavorable pricing, unsatisfactory quality or insufficient capacity allocation.

Other risks associated with the concentration of third-party foundry suppliers include limited control over delivery schedules and quality assurance, lack of capacity in periods of excess demand, unauthorized use of our intellectual property and limited ability to manage inventory and parts. In particular, although we have entered into confidentiality agreements with our third-party foundry suppliers for the protection of our intellectual property, it may not protect our intellectual property with the same degree of care as we use to protect our intellectual property. If we fail to properly manage any of these risks, our business and results of operations may be materially and adversely affected. Moreover, if Samsung or TSMC suffers any damage to its facilities, suspends manufacturing operations, loses benefits under material agreements, experiences power outages or computer virus attacks, lacks sufficient capacity to manufacture our products, encounters financial difficulties, is unable to secure necessary raw materials from its suppliers or suffers any other disruption or reduction in efficiency, we may encounter supply delays or disruptions.

***We rely on a limited number of third parties for IC packaging and testing services***

Fabrication of IC chips requires specialized services to process the silicon wafers into IC chips by packaging them and to test their proper functioning. We rely on a limited number of production partners for such packaging and testing services. We have worked closely with world-class outsourced semiconductor assembly and test (“OSAT”), companies on a limited number of specialized production partners exposes us to a number of risks, including difficulties in finding alternate suppliers, capacity shortages or delays, lack of control or oversight in timing, quality or costs, and misuse of our intellectual property. If any such problems arise with our OSAT partners, we may experience delays in our production and delivery timeline, inadequate quality control of our products or excessive costs and expenses. As a result, our financial condition, results of operation, reputation and business may be adversely affected.

***Failure at tape-out or failure to achieve the expected final test yields for our ASIC chips could negatively impact our results of operations***

The tape-out process is a critical milestone in our business. A successful tape-out means all of the stages in the design and verification process of our ASIC chips have been completed, and the chip design is ready to be sent for manufacturing. The tape-out process requires considerable investment in time and resources and close cooperation with the wafer foundry, and repeated failures can significantly increase our costs, lengthen our product development period and delay our product launch. If the tape-out or testing of a new ASIC chip design fails, either as a result of design flaws by our research and development team or problems with production or the testing process by the wafer foundry, we may incur considerable costs and expenses to fix or restart the design process. Such obstacles may decrease our profitability or delay the launch of new products.

Once tape-out is successful, the ASIC design is sent for manufacturing, and the final test yield is a measurement of the production success rate. The final test yield is a function of both product design, which is developed by us, and process technology, which typically belongs to a third-party foundry, such as Samsung and TSMC in our case. Low final test yields can result from a product design deficiency or a process technology failure or a combination of both. As such, we may not be able to identify problems causing low final test yields until our product designs go to the manufacturing stage, which may substantially increase our per unit costs and delay the launch of new products.

For example, if either Samsung or TSMC experiences manufacturing inefficiencies or encounters disruptions, errors or difficulties during production, we may fail to achieve acceptable final test yields or experience product delivery delays. We cannot guarantee that Samsung and TSMC will be able to develop, obtain or successfully implement process technologies needed to manufacture future generations of our mining machines on a timely basis. Moreover, during the periods in which foundries are implementing new process technologies, their manufacturing facilities may not be fully productive. A substantial delay in the technology transitions to smaller geometry process technologies could have a material and adverse effect on us, particularly if our competitors transition to such technologies before us.

In addition, resolution of yield problems requires cooperation among us, Samsung or TSMC, and packaging and testing partners. We cannot assure you that the cooperation will be successful and that any yield problem can be fixed.

***The decentralized nature of cryptocurrency may be subject to challenges, which could negatively affect our results of operations***

A key reason for Bitcoin and other cryptocurrencies to have attracted many new and committed users in a short period of time is its decentralized nature, or the lack of control by a central authority. However, there are divergent views on the decentralized nature of cryptocurrencies. For example, there are claims that most of the actual services and businesses built within the cryptocurrency ecosystem are in fact centralized since they are run by specific people, in specific locations, with specific computer systems, and that they are susceptible to specific regulations. Individuals, companies or groups, as well as cryptocurrency exchanges that control vast amounts of cryptocurrency can affect cryptocurrency's market prices. Furthermore, mining equipment production and mining pool locations may become centralized. The concerns or skepticism about the decentralized nature of Bitcoin may cause customers to lose confidence in the cryptocurrency industry's prospects. This in turn could adversely affect the market demand for our mining machines, the operation of our cryptocurrency exchanges and our business. Our business, prospects and results of operations therefore may adversely be affected by the divergent views on the decentralized nature of Bitcoin.

### ***Change of Bitcoin algorithms and mining mechanisms may materially and adversely affect our business and results of operations***

Our ASIC chips are designed for proof-of-work (“POW”), mechanism, which the Bitcoin network uses to validate Bitcoin transactions. Many within the Bitcoin community believe that POW is a foundation within Bitcoin’s code that would not be changed. However, there have been debates on mechanism change to avoid the “de facto control” by a great majority of the network computing power. POW validation consumes large amounts of computing power and electricity. Proof-of-stake validation is a more recent development, which involves the validator losing part of its cryptocurrency holdings if it fails to correctly validate a block. While there are some drawbacks to proof-of-stake, it requires far less energy than proof-of-work. Cryptocurrencies whose transactions are validated on a proof-of-stake basis do not require miners. Future cryptocurrencies may utilize proof-of-stake rather than POW, meaning that there will be less opportunity for miners to earn rewards. With the possibility of a change in rule or protocol of the Bitcoin network, if our Bitcoin mining machines cannot be modified to accommodate any such changes, our mining machines will not be able to meet customer demand, and the results of our operations will be significantly affected. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses—The administrators of the Bitcoin network’s source code could propose amendments to the Bitcoin network’s protocols and software that, if accepted and authorized by the Bitcoin network’s community, could adversely affect our business, results of operations and financial condition” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses—The acceptance of Bitcoin network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in the Bitcoin network could result in a “fork” in the blockchain, resulting in the operation of two separate networks that cannot be merged. The existence of forked blockchains could erode user confidence in Bitcoin and could adversely impact our business, results of operations and financial condition.”

### ***We face risks associated with the expansion of our blockchain products and Fintech business operations overseas and if we are unable to effectively manage such risks, our business growth and profitability may be negatively affected***

We intend to grow our blockchain products and Fintech businesses in part by expanding our sales network and operations internationally. Currently, we mainly rely on our production partners in South Korea and Taiwan, including Samsung and TSMC, for the fabrication, testing and packaging of our ASICs. Any significant deterioration in the cross-strait relationship may have a negative impact on the ability of our production partners in Taiwan to fulfill their contractual obligations and ship the ASICs to us, which could have a material and adverse effect on our business, financial condition and results of operations. Our expansion plans also include possibly establishing an assembly facility and offices for sales, research and development and other operations in the United States; and we are at an early stage of establishing Fintech service platforms in Hong Kong and overseas. Any significant deterioration in the relationship between China and any of these countries and region may have a material and adverse effect on our proposed business operations in these jurisdictions. However, there are risks associated with such global expansion plans, including:

- high costs of investment to establish a presence in a new market and manage international operations;
- competition in unfamiliar markets;
- foreign currency exchange rate fluctuations;
- regulatory differences and difficulties in ensuring compliance with multi-national legal requirements and multi-national operations;
- changes in economic, legal, political or other local conditions in new markets;
- our limited customer base and limited sales and relationships with international customers;
- competitors in the overseas markets may be more dominant and have stronger ties with customers and greater financial and other resources;

- challenges in managing our international sales channels effectively;
- difficulties in and costs of exporting products overseas while complying with the different commercial, legal and regulatory requirements of the overseas markets in which we offer our products;
- difficulty in ensuring that our customers comply with the sanctions imposed by the Office of Foreign Assets Control (“OFAC”), on various foreign states, organizations and individuals;
- inability to obtain, maintain or enforce intellectual property rights;
- inability to effectively enforce contractual or legal rights or intellectual property rights in certain jurisdictions under which we operate; and
- governmental policies favoring domestic companies in certain foreign markets or trade barriers including export requirements, tariffs, taxes and other restrictions and charges. In particular, a worldwide trend in favor of nationalism and protectionist trade policy and the ongoing trade dispute between the United States and China as well as other potential international trade disputes could cause turbulence in international markets. These government policies or trade barriers could increase the prices of our products and make us less competitive in such countries.

If we are unable to effectively manage such risks, we may encounter difficulties in our overseas expansion plans and our business, reputation, results of operations and financial condition may be impaired.

***We plan to increase our export of mining machines to the United States and the European Union in the future, which may be subject to high tariff rates resulting from protectionism trade policies, and as a result, our future sales volumes, profitability and results of operations will be materially and adversely affected***

Historically, only a small portion of our mining machines were exported to the United States. Going forward we plan to increase our export of mining machines to the U.S. market. However, the United States and China have recently been involved in controversy over trade barriers in China that have threatened a trade war between these two countries, and have implemented or proposed to implement tariffs on certain imported products. Although the United States had not announced any trade policies that may directly impact the export of our mining machines as of the date of this annual report, we cannot accurately predict whether any anti-dumping duties, tariffs or quota fees will be imposed on our mining machines by the United States in the future. Any export requirements, tariffs, taxes and other restrictions and charges imposed by the United States on our mining machines could significantly increase our customers’ purchase costs of our mining machines and make our mining machines less competitive in the U.S. market. As a result, our future sales volumes, profitability and results of operations could be adversely affected.

In addition, we also intend to increase our export of mining machines to the European Union in the future. However, the worldwide populism trend that calls for protectionism trade policy and potential international trade disputes could cause turbulence in the international markets. These government policies or trade barriers could increase the prices of our mining machines and cause us to lose our sales and market share to our competitors in these countries.

***Our blockchain customers rely on a steady and inexpensive power supply for operating mining farms and running mining hardware. Failure to access a large quantity of power at reasonable costs could significantly increase their operating expenses and adversely affect their demand for our mining machines***

Many of our blockchain customers engage in the cryptocurrency mining business. Cryptocurrency mining consumes a significant amount of energy power to process the computations and cool down the mining hardware. Therefore, a steady and inexpensive power supply is critical to cryptocurrency mining. There can be no assurance that the operations of our blockchain customers will not be affected by power shortages or an increase in energy prices in the future. In particular, the power supply could be disrupted by natural disasters, such as floods, mudslides and earthquakes, or other similar events beyond the control of our customers. Further, certain of our customers may experience power shortages due to seasonal variations in the supply of certain types of power such as hydroelectricity. Power shortages, power outages or increased power prices could adversely affect mining farm businesses of our blockchain customers and reduce the expected market demand for our mining machines significantly. Under such circumstances, our business, results of operations and financial condition could be materially and adversely affected.

In addition, as we intend to establish and operate compliant overseas mining farms to provide hosting services for third parties and engage in proprietary Bitcoin and other cryptocurrency mining activities to mine cryptocurrencies for ourselves in the near future, any increase in energy prices or a shortage in power supply in locations where our future compliant mining farms are located may increase our potential mining costs and reduce the expected economic returns from our proprietary mining operation significantly.

***The average selling prices of certain products may decrease from time to time due to technological advancement and we may not be able to pass onto our suppliers such decreases, which may in turn adversely affect our profitability***

The IC design industry is characterized by rapid launches of new products, continuous technological advancements and changing market trends and customer preferences, all of which translate to a shorter life cycle and a decrease in the average selling prices of products over time. Because we compete in the environment of rapidly-evolving technology advancement and market trends and developments of the IC design industry, we cannot assume that we will be able to pass on any decrease in average selling prices of our products to our suppliers. If the average selling prices of our products unusually or significantly decrease and such decreases cannot be offset by a corresponding decrease in the prices of the principal components of our products, our gross profit margins may be materially and adversely affected, which in turn, may adversely affect our profitability.

***We may not be able to price our products at our desired margins as a result of any decrease in our bargaining power or changes in market conditions***

We set prices for our mining machines and telecommunication products based on a number of internal and external factors, such as the cost of production, the technological contents of our products, market conditions, and competition that we face. Our ability to set favorable prices at our desired margins and to accurately estimate costs, among other factors, has a significant impact on our profitability. We cannot assure you that we will be able to maintain our pricing or bargaining power or that our gross profit margin will not be driven down by market conditions or other factors. If we see higher pricing pressure due to intensified competition from other manufacturers as our competitors' products may be more technologically advanced or energy-efficient, decreases in prices to our customers in the end market or any other reasons, or if we otherwise lose bargaining power due to weaker demand for our products, we may need to reduce the prices and lower the margins of our products and we may even be unable to continue to market our products at all. Moreover, we may not be able to accurately estimate our costs or pass on all or part of any increase in our costs of production, in particular the costs of raw materials, components and parts, to our customers.

***Shortages in, or rises in the prices of, the components of our mining machines may adversely affect our business***

Given the long production period to manufacture, assemble, and deliver certain components and products, problems could arise in planning production and managing inventory levels that could seriously interrupt our operations, including the possibility of defective parts, an increase in component costs, delays in delivery schedules, and shortages of components. In addition to ASIC chips, the components we use for our mining machines include printed circuit boards (“PCBs”), other electronic components, fans, and aluminum casings. The production of our mining machines also requires certain ancillary equipment and components such as controllers, power adaptors, and connectors. The production of our current products depends on obtaining adequate supplies of these components on a timely basis and at competitive prices. We do not typically maintain large inventory of the components, and rather purchase them on an “as-needed” basis from various third-party component manufacturers that satisfy our quality standards and meet our production requirements. We may have to turn to less reputable suppliers if we cannot source adequate components from our regular suppliers. Under such circumstances, the quality of the components may suffer and could cause performance issues in our mining machines.

Shortages of components could result in reduced production or delays in production, as well as an increase in production costs, which may negatively affect our ability to fulfill orders or make timely shipments to blockchain customers, as well as our customer relationships and profitability. Component shortages may also increase our costs of goods sold because we may be required to pay higher prices for components in short supply, or redesign or reconfigure products to accommodate for the substitute components, without being able to pass such cost to our blockchain customers. As a result, our business, results of operations and reputation could be materially and adversely affected by any product defects.

***Cryptocurrency exchanges and wallets, and to a lesser extent, cryptocurrency blockchains themselves, may be susceptible to hacking and fraud risks, which may adversely erode user confidence in cryptocurrencies, and adversely impact our brand and reputation and our business, operating results, and financial condition***

Cryptocurrency transactions are entirely digital and, as with any virtual system, face risk from hackers, malware and operational glitches. For example, hackers can target cryptocurrency exchanges, wallets, and custodians to gain unauthorized access to the private keys associated with the wallet addresses where cryptocurrencies are stored. Cryptocurrency transactions and accounts are not insured by any type of government program and cryptocurrency transactions generally are immutable by design. Certain features of cryptocurrency networks, such as decentralization, open source protocols, and reliance on peer-to-peer connectivity, may increase the risk of fraud or cyberattack by potentially reducing the likelihood of a coordinated response. Cryptocurrencies have been susceptible to hacking and several cryptocurrency exchanges and miners have reported cryptocurrency losses, which highlights the concern over the security of cryptocurrencies and in turn affects the demand and the market price of cryptocurrencies. In addition, while cryptocurrencies use private key encryption to verify owners and register transactions, scammers and other bad actors may attempt to sell fraudulent digital assets. The techniques used to obtain unauthorized, improper, or illegal access to systems and information (including customers’ personal data and digital assets), disable or degrade services, or sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized or detected until after they have been launched against a target. Additionally, certain threats are designed to remain dormant or undetectable until launched against a target and we may not be able to implement adequate preventative or protective measures. These risks may adversely affect the operation of the cryptocurrency network which would erode user confidence in digital assets, or in the use of technology to conduct financial transactions, which could negatively impact us, including the market perception of the effectiveness of our security measures, the technology infrastructure of our exchange platforms, and the demand for our mining machines.

In particular, our cryptocurrency exchange business involves the collection, storage, processing, and transmission of confidential information, customer, employee, service provider, and other personal data, as well as information required to access customer assets. We have built our reputation on the premise that our platforms offer customers a secure way to purchase, store, and transact in digital assets. As a result, any actual or perceived security breach of our exchange platforms or our third-party partners may:

- harm our reputation and brand;
- result in our systems or services being unavailable and interrupt our operations;
- result in improper disclosure of data and violations of applicable privacy and data protection laws;
- result in significant regulatory scrutiny, investigations, fines, penalties, and other legal, regulatory, and financial exposure;
- cause us to incur significant remediation costs;
- lead to theft or irretrievable loss of our or our customers' fiat currencies or digital assets;
- reduce customer confidence in, or decreased use of, our products and services;
- divert the attention of management from the operation of our business;
- result in significant compensation or contractual penalties from us to our customers or third parties as a result of losses to them or claims by them; and
- adversely affect our business and operating results.

Although we have developed systems and processes designed to protect the data we manage, prevent data loss and other security breaches, effectively respond to known and potential risks, and expect to continue to expend significant resources to bolster these protections, there can be no assurance that these security measures will provide absolute security or prevent breaches or attacks. As of the date of this annual report, we have not experienced material breaches of our security measures, however, we may experience in the future, material breaches of our security measures due to human error, malfeasance, insider threats, system errors, vulnerabilities, or other irregularities. Certain types of cyberattacks could harm us even if our systems are left undisturbed. Unauthorized parties may attempt to gain access to our systems and facilities, as well as those of our customers, partners, and third-party service providers, through various means, including hacking, social engineering, phishing, and attempting to fraudulently induce individuals (including employees, service providers, and customers) into disclosing usernames, passwords, payment card information, digital wallet information or other sensitive information, which may in turn be used to access our information technology systems and customers' digital assets. Threats can come from a variety of sources, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, and insiders. Certain threat actors may be supported by significant financial and technological resources, making them even more sophisticated and difficult to detect. We may also acquire other companies that expose us to unexpected security risks or increase costs to improve the security posture of the acquired company. As a result, our costs and the resources that we devote to protecting against these advanced threats and their consequences may continue to increase over time.

***From time to time, we may encounter technical issues in connection with the integration of supported digital assets and changes and upgrades to their underlying networks, which could adversely affect our business***

A variety of front and back-end technical and development work is required to implement our wallet, custody, trading, staking and other solutions for our customers, and to integrate our supported digital assets with our existing technical infrastructure. For certain digital assets, a significant amount of development work is required and there is no guarantee that we will be able to successfully integrate any existing or future digital assets. In addition, such integration may introduce software errors or weaknesses into our platforms, including into our existing infrastructure. Even if such integration is initially successful, any number of technical changes, software upgrades, soft or hard forks, cybersecurity incidents, or other changes to the underlying blockchain network may occur from time to time, causing incompatibility, technical issues, disruptions, or security weaknesses to our platforms. If we are unable to identify, troubleshoot and resolve any such issues successfully, we may no longer be able to support such digital assets, our customers' assets may be frozen or lost, the security of our hot, warm, or cold wallets may be compromised, and our platforms and technical infrastructure may be affected, all of which could adversely impact our business.

***Failure to comply with anti-corruption and anti-money laundering laws, including the Foreign Corrupt Practices Act (the "FCPA") and similar laws associated with our activities outside of the United States, could subject us to penalties and other adverse consequences***

We operate an international business and may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We are subject to the FCPA, and other applicable anti-corruption and anti-money laundering laws in certain countries in which we conduct activities. The FCPA prohibits providing, offering, promising, or authorizing, directly or indirectly, anything of value to government officials, political parties, or political candidates for the purpose of obtaining or retaining business or securing any improper business advantage. In addition, U.S. public companies are required to maintain records that accurately and fairly represent their transactions and have an adequate system of internal accounting controls.

In many foreign countries, including countries in which we may conduct business, it may be a local custom that businesses engage in practices that are prohibited by the FCPA, or other applicable laws and regulations. We face significant risks if we or any of our directors, officers, employees, contractors, agents or other partners or representatives fail to comply with these laws and governmental authorities in the United States and elsewhere could seek to impose substantial civil and/or criminal fines and penalties which could have a material adverse effect on our business, reputation, operating results, prospects and financial condition.

Any violation of the FCPA, other applicable anti-corruption laws, or anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and, in the case of the FCPA, suspension or debarment from U.S. government contracts, any of which could have a materially adverse effect on our reputation, business, operating results, prospects and financial condition. In addition, responding to any enforcement action or internal investigation related to alleged misconduct may result in a significant diversion of management's attention and resources and significant defense costs and other professional fees.

***There is a lack of liquid markets for cryptocurrencies, and blockchain-based assets are susceptible to potential manipulation***

Cryptocurrencies and other digital assets that are represented and trade on a ledger-based platform may not necessarily benefit from viable trading markets. Stock exchanges have listing requirements and vet issuers, requiring them to be subjected to rigorous listing standards and rules; and monitor investors transacting on such platform for fraud and other improprieties. These conditions may not necessarily be replicated on a distributed ledger platform, depending on the platform's controls and other policies. The more lax a distributed ledger platform is about vetting issuers of cryptocurrency and other digital assets or users that transact on the platform, the higher the potential risk for fraud or the manipulation of the ledger due to a control event. These factors may decrease liquidity or volume or may otherwise increase volatility of investment securities or other assets trading on a ledger-based system, which may adversely affect us. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our business 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 or digital assets that we acquire or hold for our own account, and so could harm investors.

***Cryptocurrencies face significant scaling obstacles that can lead to high fees or delayed transaction settlement times, and attempts to increase transaction processing capacity may not be effective***

Many cryptocurrency networks face significant scaling challenges. As the Bitcoin network continues to develop and grow, certain technical issues might be uncovered, and the troubleshooting and resolution of such issues requires the attention and efforts of Bitcoin's global development community. A number of second layer technology solutions have been recently promoted to resolve this problem by, among other things, enabling faster transactions: in August 2017, the Bitcoin network underwent a hard fork that resulted in the creation of a new digital asset network called Bitcoin Cash. This hard fork was contentious, and as a result some users of the Bitcoin Cash network may harbor ill will toward the Bitcoin network. These users may attempt to negatively impact the use or adoption of the Bitcoin network. Also in August 2017, the Bitcoin network was upgraded with a technical feature known as "Segregated Witness" that, among other things, potentially doubles the transactions per second that can be handled on-chain and enables so-called second layer solutions, such as the Lightning Network or payment channels, that have the potential to substantially increase transaction throughput (i.e., millions of transactions per second). As of the date of this annual report, digital wallets and intermediaries that support Segregated Witness or Lightning Network-like technologies have not yet been adopted by a significant portion of the digital asset community. In 2021, the Bitcoin protocol implemented the Taproot upgrade to add enhanced support for complex transactions on the network such as multi-signature transactions, which require two or more parties to execute a transaction on the Bitcoin network. Prior to the upgrade, multi-signature transactions were historically slow, expensive, and easily identifiable. Taproot is intended to reduce the amount of data written to a block and makes multi-signature transactions indistinguishable from regular transactions, adding an enhanced layer of privacy. This upgrade may fail to work as expected, which could lead to a decline in support and price of Bitcoin. Unfortunately, there is no assurance that the digital asset community will accept these solutions or that these solutions will work as expected or effectively resolve these problems.

As the use of digital asset networks increases without a corresponding increase in throughput of the networks, average fees and settlement times can increase significantly. Bitcoin's network, for example, has been, at times, at capacity, which has led to very high transaction fees. Increased fees and decreased settlement speeds could preclude certain use cases for Bitcoin (e.g., micropayments), and can reduce demand for and the market price of Bitcoin, which could adversely affect the market demand for our mining machines. There is no guarantee that any of the mechanisms already in place or being explored for increasing the scale of settlement of Bitcoin transactions will be effective, or how long they will take to become effective, which could adversely affect the market demand for our mining machines.

***The administrators of the Bitcoin network's source code could propose amendments to the Bitcoin network's protocols and software that, if accepted and authorized by the Bitcoin network's community, could adversely affect our business, results of operations and financial condition***

The Bitcoin network is based on a cryptographic, algorithmic protocol that governs the end-user-to-end-user interactions between computers connected to the Bitcoin network. A loosely organized group can propose amendments 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. To the extent a significant majority of the users and miners on the Bitcoin network accept and authorize such software upgrade(s), the Bitcoin network would be subject to new protocols and software that may render our mining machines less desirable, which in turn may adversely affect our business, results of operations and financial condition. If less than a significant majority of the users and miners on the Bitcoin network install any such software upgrade(s), the Bitcoin network could fork.

***The acceptance of Bitcoin network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in the Bitcoin network could result in a "fork" in the blockchain, resulting in the operation of two separate networks that cannot be merged. The existence of forked blockchains could erode user confidence in Bitcoin and could adversely impact our business, results of operations and financial condition***

Bitcoin is based on open source software and has 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. However, miners and users must consent to those software modifications by downloading the altered software or upgrade implementing the changes; otherwise, the changes do not become 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, a "fork" in the blockchain could develop and two separate Bitcoin networks could result, one running the pre-modification software program and the other running the modified version. An example is the introduction of Bitcoin Cash in mid-2017. This hard fork was contentious, and as a result some users of the Bitcoin Cash network may harbor ill will toward the Bitcoin Network. These users may attempt to negatively impact the use or adoption of the Bitcoin Network. This kind of hard fork split in the Bitcoin network was contentious, and as a result may erode user confidence in the stability of the Bitcoin network, may cause some Bitcoin Network users to negatively affect the use or adoption, and could negatively affect the demand for our mining machines.

***Our Bitcoin mining machines use open source software and hardware as their basic controller system, which may subject us to certain risks***

We use open source software and hardware in our Bitcoin mining machines. For example, our mining machine controller open source software needs to be installed on open source, which serves as the basic controller system for our mining machines, and we expect to continue to use open source software and hardware in the future. Open source software is generally freely accessible, usable and modifiable, and is made available to the general public on an "as-is" basis under the terms of a non-negotiable license. As a result, we may from time to time face claims from others claiming ownership of, or seeking to enforce the terms of, an open source license, including by demanding the release of the open source software, derivative works or our proprietary source code that was developed using such software. These claims could also result in litigation, requiring us to purchase a costly license or to devote additional research and development resources to change our technologies, either of which would have a negative effect on our business and operating results. In addition, if the license terms for the open source software we utilize change, we may be forced to re-engineer or discontinue our solutions or incur additional costs.

***Bitcoin mining activities are energy-intensive, which may restrict the geographic locations of miners and have a negative environmental impact***

Bitcoin mining activities are inherently energy-intensive and electricity costs account for a significant portion of the overall mining costs. The availability and cost of electricity will restrict the geographic locations of mining activities. Any shortage of electricity supply or increase in electricity cost in a jurisdiction may negatively impact the viability and the expected economic return for Bitcoin mining activities in that jurisdiction, which may in turn decrease the sales of our Bitcoin mining machines in that jurisdiction.

Further, our mining equipment will only be valuable and so our business model can only be successful if the costs, including electrical power costs, associated with Bitcoin mining are lower than the price of Bitcoin itself. As a result, mining operations can only be successful if miners can obtain sufficient electrical power for their geographical sites on a cost-effective basis, and the establishment of new mining data centers and demand for our mining equipment requires miners to find sites where that is the case. Even if our electrical power costs do not increase, significant fluctuations in, and any prolonged periods of, low Bitcoin prices may also cause the electrical supply to no longer be cost-effective.

***Because there has been limited precedent set for financial accounting of Bitcoin and other crypto assets, the determination that we have made for how to account for Bitcoin assets transactions may be subject to change***

Because there has been limited precedent set for the financial accounting of cryptocurrencies and related revenue recognition and no official guidance has yet been provided by the Financial Accounting Standards Board, the PCAOB or the SEC, it is unclear how companies may in the future be required to account for Bitcoin transactions and other crypto assets and related revenue recognition. A change in regulatory or financial accounting standards could result in the necessity to change our accounting methods and restate our financial statements. Such a restatement could negatively impact our business, prospects, financial condition and results of operation. Such circumstances would also have a material adverse effect on our ability to continue as a going concern or to pursue our business strategy at all, which would potentially have a material adverse effect on the value of any cryptocurrencies we hold or expects to acquire for our own account and harm investors.

***We have an evolving business model and strategy***

Our business model has significantly evolved since our incorporation and we expect it to continue to do so in the future. As blockchain and Fintech businesses become more widely available, we expect their services and products to evolve. In order to stay current with our industry, our business model will also need to evolve. As a result, from time to time, we may modify aspects of our business model relating to our strategy, including pursuing business opportunities outside of the blockchain and Fintech industries, including the sustainable energy industry. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to our business. These modifications may increase the complexity of our business and place significant strain on our management, personnel, operations, systems, technical performance, financial resources and internal financial control and reporting functions. We may not be able to manage growth effectively, which could damage our reputation, limit our growth and adversely affect our operating results. Further, we cannot provide any assurance that we will successfully identify all emerging trends and growth opportunities within the blockchain and Fintech industries or the industry sectors into which we will venture and we may lose out on such opportunities. Such circumstances could have a material adverse effect on our business, prospects, financial condition and operating results.

### ***Significant disruptions of information technology systems or security breaches could materially adversely affect our business***

We are increasingly dependent upon information technology systems, infrastructure, and data to operate our business. In the ordinary course of business, we collect, store, and transmit large amounts of confidential information (including, among other things, trade secrets or other intellectual property, proprietary business information and personal information). It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We also have outsourced elements of our operations to third parties, and as a result, we manage a number of third-party vendors who may or could have access to our confidential information. Attacks on information technology systems are increasing in their frequency, levels of persistence, sophistication, and intensity, and they are being conducted by increasingly sophisticated and organized groups and individuals with a wide range of motives and expertise. The size and complexity of our information technology systems, and those of third-party vendors with whom we contract, and the large amounts of confidential information stored on those systems, make such systems vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees, third-party vendors, and/or business partners, or from cyberattacks by malicious third parties. Cyberattacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering, and other means to affect service reliability and threaten the confidentiality, integrity and availability of information.

Significant disruptions of our information technology systems, or those of our third-party vendors, or security breaches could materially adversely affect our business operations and/or result in the loss, misappropriation and/or unauthorized access, use or disclosure of, or the prevention of access to, confidential information, including, among other things, trade secrets or other intellectual property, proprietary business information and personal information, and could result in financial, legal, business and reputational harm to us. The Company continually assesses these threats and makes investments to increase internal protection, detection, and response capabilities, as well as ensure the Company's third-party providers have required capabilities and controls, to address this risk.

Any failure or perceived failure by us or any third-party collaborators, service providers, contractors or consultants to comply with our privacy, confidentiality, data security or similar obligations to third parties, or any data security incidents or other security breaches that result in the unauthorized access, release or transfer of sensitive information, including personally identifiable information, may result in governmental investigations, enforcement actions, regulatory fines, litigation or public statements against us, could cause third parties to lose trust in us or could result in claims by third parties asserting that we have breached our privacy, confidentiality, data security or similar obligations, any of which could have a material adverse effect on our reputation, business, financial condition or results of operations. Moreover, data security incidents and other security breaches can be difficult to detect, and any delay in identifying them may lead to increased harm. To date, the Company has not experienced any material impact to the business or operations resulting from information or cybersecurity attacks; however, because of the frequently changing attack techniques, along with the increased volume and sophistication of the attacks, there is the potential for the Company to be adversely impacted. While we have implemented data security measures intended to protect our information technology systems and infrastructure, there can be no assurance that such measures will successfully prevent service interruptions or data security incidents.

### **Risks Relating to Our Business Operations**

#### ***We face risks related to health epidemics, which could disrupt our operations and adversely affect our business, financial condition and results of operations***

Our business could be materially and adversely affected by health epidemics and outbreaks affecting the jurisdictions in which we operate. Health epidemics may cause market panics, which materially and negatively affected the global financial markets. Such disruption and the potential slowdown of the world's economy in 2024 and beyond could have a material adverse effect on our results of operations and financial condition. We and our customers experienced and may continue to experience significant business disruptions and suspension of operations due to the COVID-19 pandemic, especially the large-scale lock-downs implemented during fiscal year 2022, which caused shortages in the supply of raw materials, reduction in our production capacity, and product delivery delays. The pandemic has also led to great volatility in the Bitcoin price, which has adversely affected and may continue to negatively affect the demand for our mining machines both in terms of the price and the quantity.

Although the spread of COVID-19 appears to be under control currently, the extent to which the COVID-19 pandemic may impact our future financial results will depend on future developments, such as the implementation of governmental measures, new information on the effectiveness of the mitigation strategies, the duration, spread, severity, and resurgence of COVID-19 and any COVID-19 variants, the related travel advisories and restrictions, the overall impact of the COVID-19 pandemic on the global economy and capital markets, and the efficacy of COVID-19 vaccines, which may also take an extended time to be widely and adequately distributed, all of which remain highly uncertain and unpredictable. Given this uncertainty, we are currently unable to quantify the expected impact of the COVID-19 pandemic on our future operations, financial condition, liquidity, and results of operations if the current situation continues.

***High customer concentration exposes us to all of the risks faced by our major customers and may subject us to significant fluctuations or declines in revenues***

Our customers include both enterprises and individuals. A limited number of our major customers, however, have contributed a significant portion of our revenues in the past. Our revenue from the top ten largest customers accounted for approximately 81%, 88% and 44% of our total revenues in 2021, 2022 and 2023. Although we continually seek to diversify our customer base, we cannot assure you that the proportion of the revenue contribution from these customers to our total revenues will decrease in the near future. We offer credit sales to our major, long-term customers. Dependence on a limited number of major customers will expose us to the risks of substantial losses and may increase our account receivables and extend its turn over days if any of them reduces or even ceases business collaborations with us. Specifically, any one of the following events, among others, may cause material fluctuations or declines in our revenues and have a material and adverse effect on our business, financial condition, results of operations and prospects:

- an overall decline in the business of one or more of our significant customers;
- the decision by one or more of our significant customers to switch to our competitors;
- the reduction in the prices of our mining machines agreed by one or more of our significant customers; or
- the failure or inability of any of our significant customers to make timely payment for our services.

If we fail to maintain relationships with these major customers, and if we are unable to find replacement customers on commercially desirable terms or in a timely manner or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected.

***We have been involved, and may continue to be involved, in disputes, claims or proceedings arising from our operations or class actions from time to time, which could result in significant liabilities and reputational harm and could materially and adversely affect our business, financial condition and results of operations***

We have been, and in the future may continue to be, involved in disputes, claims or proceedings arising out of our operations. For example, we are currently involved in an ongoing civil action in relation to our procurement of ASIC wafers from a supplier. See “Item 4. Information on the Company—B. Business Overview —Legal Proceedings.” In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable orders, directives or decrees that may result in financial losses. Ongoing disputes, claims or proceedings may divert our management’s attention and consume their time and our other resources.

In the past, shareholders of public companies have often brought securities class action suits against an issuer following periods of instability in the market price of an issuer's securities, or after the publication of third-party research reports. As of the date of this annual report, we are not aware of any lawsuits threatened or filed against us based on any alleged violation of securities laws. We cannot assure you that there would not be any future claims against us or that we would successfully defend against them. Any such suit, whether or not successful, could harm our reputation, result in share price volatility and a loss of customers, and restrict our ability to raise capital in the future. Even if claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and require significant expenditures, which could prevent us from competing effectively and could have an adverse effect on our business, operating results, and financial condition. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations. Furthermore, any disputes, claims or proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. As of the date of this annual report, we are not able to quantify the likelihood or amount of exposure from any of these potential actions.

Negative publicity arising from disputes, claims or proceedings may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business ventures or projects. Consequently, our business, results of operations and financial condition may be materially and adversely affected.

***We are exposed to credit risks and concentration of credit risks in relation to defaults from counterparties***

There are credit risks associated with our business. In particular, a drop in the Bitcoin price may also result in lower economic returns for mining activities of our blockchain customers and adversely affect their businesses and financial conditions, which may further affect their credit profiles and their ability to settle our accounts receivables. Although we generally require our blockchain customers to make full payment for our mining machines before delivery of products, we provide credit sales to customers when the market is sluggish. As for our telecommunication product sales, we always use credit sales. Our Fintech business may also have credit risks as our products become more diverse. As of December 31, 2022 and 2023, our net accounts receivable was US\$3.3 million and US\$0.9 million, respectively, and we recorded allowance for doubtful accounts of US\$3.5 million and US\$2.1 million, as of the same dates.

In addition, we also face concentration of credit risks associated with our business. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer as well as the industry or country in which the customers operate and is concentrated on a few customers. As of December 31, 2022 and 2023, 20% and 20% of our total accounts receivables were due from one of our customers, respectively.

Although we monitor our exposure to credit risk on an ongoing basis and make periodic judgment on impairment of overdue receivables based on the likelihood of collectability, we cannot assure you that all of our counterparties are creditworthy and reputable and will not default on payments in the future. If we encounter significant delays or defaults in payment by our customers or are otherwise unable to recover our accounts receivables, our cash flow, liquidity and financial condition may be materially and adversely affected.

***The businesses that we are pursuing through certain of our subsidiaries' initiatives are novel and subject to technical, operational, financial, regulatory, legal, reputational and marketing risks and we cannot assure you that such acquisitions or strategic alliances may be successfully implemented***

We have and may continue to acquire interests in various businesses, including but not limited to Fintech companies, broker-dealers, digital currency transfer and payment businesses and the sustainable energy business. We have limited experience with the operation of such businesses. In some countries the licensing requirements and regulations expressly cover companies engaged in digital currency activities; in others it is not clear whether or how the existing laws and regulations apply to digital currency activities. Licenses and registrations that we may be required to obtain may subject us to various anti-money laundering, KYC, record-keeping, reporting and capital and bonding requirements, limitations on the investment of customer funds, and inspection by regulatory agencies. These are areas in which we do not have substantial experience and which are subject to the risks of novel businesses, including technical, operational, financial, regulatory, legal and reputational risks, as well as the risk that we may be unable to market, license or sell our technology successfully or profitably. The occurrence of any such risks, any such penalties, or even allegations of criminal or civil misconduct, could have a material adverse effect on us and on our financial results and business.

We may look for other potential acquisitions or strategic alliances in the future to expand our business. However, we may not be able to find suitable acquisition candidates, complete acquisitions on favorable terms, if at all, or integrate any acquired business, products or technologies into our operations. If we do complete acquisitions, they may be viewed negatively by customers or investors and they may not enable us to strengthen our competitive position or achieve our goals. In addition, any acquisitions that we make could lead to difficulties in integrating personnel, technologies and operations from the acquired businesses and in retaining and motivating key personnel from these businesses. Moreover, acquisitions may disrupt our ongoing operations, divert management from day-to-day responsibilities and increase our expenses. Future acquisitions may reduce our cash available for operations and other uses, and could result in increases in amortization expenses related to identifiable intangible assets acquired, potentially dilutive issuances of equity securities or the incurrence of debt. We cannot predict the number, timing or size of future acquisitions, or the effect that any such acquisitions might have on our operating results.

***Our prepayments to suppliers may subject us to counterparty risk associated with such suppliers and negatively affect our liquidity***

We are required to prepay some of our suppliers before the service is provided to secure the supplier's production capacity. As of December 31, 2022 and 2023, the outstanding balance of prepayments we made to our suppliers amounted to US\$1.2 million and US\$1.1 million, respectively. The amount of our prepayments may significantly increase as we continue to pursue technological advancement. We are subject to counterparty risk exposure to our suppliers. Any failure by our suppliers to perform their contract obligations on a timely manner and/or with our requested quality may result in us not being able to fulfill customers' orders accordingly. In such event, we may not be able to regain the prepayment in a timely manner or in full, even though our suppliers are obligated to return such prepayments under specified circumstances as previously agreed upon. Furthermore, if the cash outflows for the prepayments significantly exceed the cash inflows during any period, our future liquidity position will be adversely affected.

***If we experience difficulty in collecting our trade receivables, our liquidity, financial condition and results of operations would be negatively impacted.***

We derive our revenues from the sale of products and are subject to counterparty risks such as our customer's inability to pay. As of December 31, 2022 and 2023, our trade receivables amounted to US\$3.3 million and US\$0.9 million, respectively. There can be no assurance that we will be able to collect our trade receivables on a timely basis, and our trade receivable turnover days may increase, which in turn could materially and adversely affect our liquidity, financial condition and results of operations.

***If we fail to maintain appropriate inventory levels in line with the approximate level of demand for our products, we could lose sales or face excessive inventory risks and holding costs***

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of finished goods inventory to ensure immediate delivery when required. We are also required to maintain an appropriate level of raw materials for our production. However, forecasts are inherently uncertain. If our forecasted demand is lower than what eventually transpires, we may not be able to maintain an adequate inventory level of our finished goods or produce our products in a timely manner, and we may lose sales and market share to our competitors. On the other hand, we may also be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials, parts and components for our products. Excess inventory levels may lead to increases in inventory holding costs, risks of inventory obsolescence and provisions for write-downs, which will materially and adversely affect our business, financial condition and results of operations.

In order to maintain an appropriate inventory level of finished goods and raw materials to meet market demand, we adjust our procurement amount and production schedule from time to time based on customers' orders and anticipated demand. We also carry out an inventory review and an aging analysis on a regular basis. We make provision for obsolete and slow-moving inventory of raw materials and finished goods that are no longer suitable for use in production or sale. However, we cannot guarantee that these measures will always be effective and that we will be able to maintain an appropriate inventory level. We may also be exposed to the risk of holding excessive inventory, including older generation mining machines that are less marketable as well as older ASIC chips which may increase our inventory holding costs and subject us to the risk of inventory obsolescence or write-offs, which could have a material adverse effect on our business, results of operations and financial condition. For example, we recorded write-down for the potentially obsolete, slow-moving inventory and lower of cost or market adjustment of US\$2.2 million, US\$6.5 million and US\$0.3 million in 2021, 2022 and 2023, respectively. If we cannot maintain an appropriate inventory level, we may lose sales and market share to our competitors.

***We require various approvals, licenses, permits and certifications to operate our business. If we fail to obtain or renew any of these approvals, licenses, permits or certifications, it could materially and adversely affect our business and results of operations***

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications in order to operate our business or engage in the business we plan to enter into. Complying with such laws and regulations may require substantial expenses, any non-compliance may expose us to liability. In the event of that government authorities consider us to be in non-compliance, we may have to incur significant expenses and divert substantial management time to rectify the incidents. If we fail to obtain all the necessary approvals, licenses, permits and certifications, we may be subject to fines, sanctions, revocation of licenses or permits to operate our business, or the suspension of operations of the facilities that do not have the requisite approvals, licenses, permits or certifications, which would adversely affect our reputation, business and results of operations. See "Regulation" for further details on the requisite approvals license permits and certifications.

***We have previously made sales to Iran, which is subject to sanctions, and our interactions with a blockchain may expose us to SDN and other regulations administered by the United States***

Iran is subject to a comprehensive sanctions program administered by OFAC and shipments of products subject to the Export Administration Regulations promulgated by the Bureau of Industry and Security (“BIS”), in the Commerce Department are also subject to restrictions. In 2016 and 2017, we engaged in transactions that included the sale and/or delivery of our products to Iran under circumstances that may involve breaches of U.S. sanctions and export control laws. On August 2, 2018, we disclosed these transactions to both OFAC and BIS by our submission of Voluntary Self Disclosures (“VSDs”). On January 25, 2019, BIS closed the VSD with a Warning Letter and no penalty. On March 4, 2019, OFAC closed the VSD with a Cautionary Letter and no penalty.

OFAC requires us to not conduct business with persons named on its specially designated nationals (“SDN”) list. However, because of the pseudonymous nature of blockchain transactions we may inadvertently and without our knowledge engage in transactions with persons named on OFAC’s SDN list or from countries on OFAC’s sanctioned countries’ list. While we have implemented internal control measures to mitigate our risk exposure to international sanctions, sanctions laws and regulations are constantly evolving, new persons and entities are regularly added to the list of SDN list, and we may not be adequately capable of determining the ultimate identity of the individual with whom we transact with respect to selling cryptocurrency assets. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. To the extent government enforcement authorities enforce these and other laws and regulations that are impacted by decentralized distributed ledger technology, or if they were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of us, we may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, all of which could harm our reputation and affect the value of our ordinary shares.

***We experienced a decrease in our telecommunications business and if we are unable to continue to operate our telecommunications business successfully, we may suspend or cease our telecommunication business entirely***

Revenues from our telecommunications business were US\$8.6 million, US\$3.7 million and US\$0.5 million, for the years ended December 31, 2021, 2022 and 2023, respectively. Our telecommunications business will likely continue to be driven by the development of the communications industry in China, government policies, technological changes, user preference, and many other factors beyond our control. There is no guarantee that we will be able to maintain the competitiveness of our products or continue to operate our telecommunications business successfully as a key source of revenue. If we fail to grow our telecommunications business organically, we may suspend or cease such business line entirely.

***Any disruption in our business relationship with our major telecommunications products customers as a result of market consolidation or otherwise will adversely affect our sales and market share in the telecommunications market***

The telecommunications industry has experienced and may continue to experience significant consolidation. The merger and expansion of participants will enable them to maximize their economies of scale to provide more competitive prices and invest a larger amount of resources into research and development. Our telecommunication products are primarily sold to major telecommunications service providers and institutional customers in China. Consolidation of our customers may mean that we could lose out in price and non-price competition and lead to a significant reduction of market share. As a result, our business and results of operations in the telecommunications market could be materially and adversely affected.

We typically engage third-party agents to manage certain aspects of our business dealings with telecommunications products customers, and our business relationship with them may be adversely affected by any actual or perceived misconduct of our agents, over whom we have limited control. For example, in 2018, a local court in China convicted an employee of a major telecommunications products customer for taking bribes from a group of business partners, including our agents, and as a result, we have been blacklisted by such customer until the end of 2020. Although we are no longer blacklisted by such customer due to lapse of time, any future disruption of our business relationship with major telecommunications products customers could materially and adversely affect our business and results of operations.

***The telecommunications industry is subject to extensive and evolving laws and regulations***

We may be directly or indirectly affected by changes in government regulations relating to the telecommunications and broadcast industries in the PRC or the U.S. Failure to comply with the relevant laws and regulations could subject us to severe penalties, which could have a significant impact on our cash flow. Moreover, the change of laws and regulations may render our current products illegal and require us to invest additional resources into the research and development of new products in compliance with the laws. As a result, our business and results of operations may be adversely affected. For example, in January 2021 the New York Stock Exchange LLC (“NYSE”) announced the delisting of three Chinese telecommunication companies based on guidance that OFAC provided to the NYSE. We are uncertain whether such actions will have further impact on our business or the Chinese telecommunication industry in general.

Our customers are also subject to laws and regulations applicable to the telecommunications and broadcast industries in the PRC. As they change their products to adapt to any change of telecommunications and broadcast laws, this may also require us to modify our products to fit their new products. Such modified or newly adopted laws and regulations could, directly or indirectly, affect the pricing, distribution and required standards of our telecommunications products and services and may have a material adverse impact on our business.

***If we fail to maintain an effective quality control system, our business could be materially and adversely affected***

We place great emphasis on product quality and adhere to stringent quality control measures and have obtained quality control certifications for our products. To meet our customers’ requirements and expectations for the quality and safety of our products, we have adopted a stringent quality control system to ensure that every step of the production process is strictly monitored and managed. Failure to maintain an effective quality control system or to obtain or renew our quality standards certifications may result in a decrease in demand for our products or cancellation or loss of purchase orders from our customers. Moreover, our reputation could be impaired. As a result, our business and results of operations could be materially and adversely affected.

***The quality of our products and services relies on third party suppliers and service providers that we engage. If we fail to provide satisfactory services or maintain their service levels, it could materially and adversely affect our business, reputation, financial condition and results of operations***

We rely on third-party suppliers and service providers to provide quality products and services to customers, and our brand and reputation may be harmed by actions taken by them that are beyond our control. Despite the measures we have taken to ensure the quality of products and services provided by third-party suppliers and service providers, to the extent that there are manufacturing defects beyond our control, or our third-party suppliers and service providers are unable to maintain the efficiency of their production facilities, supply sufficient components or raw materials in a timely manner, or provide satisfactory services to our customers, we may suffer reputational damage, and our brand image, business and results of operations may be materially and adversely affected.

***We rely on third-party logistics service providers to deliver our products. Disruption in logistics may prevent us from meeting customer demand and our business, results of operations and financial condition may suffer as a result***

We engage third-party logistics service providers to deliver the ICs from our production partners to our assembly plant and our products from our warehouses to our customers. Disputes with or termination of our contractual relationships with one or more of our logistics service providers could result in delayed delivery of products or increased costs. There can be no assurance that we can continue or extend relationships with our current logistics service providers on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with our preferred logistics service providers, it may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our consumers. If there is any breakdown in our relationships with our preferred logistics service providers, we cannot assure you that no interruptions in our product delivery would occur or that they would not materially and adversely affect our business, prospects and results of operations.

As we do not have any direct control over these logistics service providers, we cannot guarantee their quality of service. In addition, services provided by these logistics service providers could be interrupted by unforeseen events beyond our control, such as poor handling provided by these logistics service providers, natural disasters, pandemics, adverse weather conditions, riots and labor strikes. If there is any delay in delivery, damage to products or any other issue, we may lose customers and sales and our brand image may be tarnished.

***We face intense industry competition***

As a blockchain technology and Fintech company, we operate in a highly competitive environment. Our competitors include companies that may have a larger market share, greater brand recognition, broader international customer base, greater financial resources or other competitive advantages. We anticipate that competition will increase as blockchain and Fintech gain greater acceptance and more players join the market. Furthermore, we anticipate encountering new competition as we expand our sales and operations to new locations geographically and into wider applications of overseas cryptocurrency mining and mining farm operations, blockchain and Fintech businesses, and sustainable energy businesses. We also compete in the communication network devices industry in China with respect to our telecommunications business. Some of our competitors in this industry include larger, more well-established companies with greater economies of scale and more bargaining power with suppliers.

Strong competition in the market may require us to lower our prices, increase our sales and marketing expenses or otherwise invest greater resources to maintain or gain market share as needed to adequately compete. Such efforts may negatively impact our profitability. If we are unable to effectively adapt to changes or developments in the competitive landscape, our business, financial conditions and results of operations may be adversely affected.

***We have and may increasingly become a target for public scrutiny, including complaints to regulatory agencies, negative media coverage, and malicious allegations, all of which could severely damage our reputation and materially and adversely affect our business and prospects***

We have been and may continue to be a target for public scrutiny, including complaints to regulatory agencies, negative media coverage, and malicious allegations, which had adversely affected and may adversely affect our reputation. Certain features of cryptocurrency networks, such as decentralization, independence from sovereignty and anonymity of transactions, create the possibility of heightened attention from the public, regulators and the media. Heightened regulatory and public concerns over us and cryptocurrency-related issues may subject us to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues. From time to time, these allegations, regardless of their veracity, may result in consumer dissatisfaction, public protests or negative publicity, which could result in government inquiry or substantial harm to our brand, reputation and operations.

Moreover, as our business expands and grows, both organically and through acquisitions of and investments in other businesses, domestically and internationally, we may be exposed to heightened public scrutiny in jurisdictions where we already operate as well as in new jurisdictions where we may operate. U.S. public companies that have substantially all of their operations in China have been the subject of intense scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies, such as the SEC. Much of the scrutiny, criticism and negative publicity has centered on financial and accounting irregularities and mistakes, a lack of effective internal controls over financial accounting, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result of the scrutiny, criticism and negative publicity, the publicly traded stock of many U.S. listed Chinese companies sharply decreased in value and, in some cases, has become virtually worthless. Many of these companies are now subject to shareholder lawsuits and SEC enforcement actions and are conducting internal and external investigations into the allegations. It is not clear what effect this sector-wide scrutiny, criticism and negative publicity will have on us, our business and our stock price. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we will have to expend significant resources to investigate such allegations and/or defend our Company. This situation will be costly and time consuming and distract our management from growing our business. If such allegations are not proven to be groundless, we and our business operations will be severely affected and you could sustain a significant decline in the value of our stock.

In addition, cryptocurrency asset platforms are relatively new. Many of our cryptocurrency exchange competitors are unlicensed, unregulated, operate without supervision by any governmental authorities, and do not provide the public with significant information regarding their ownership structure, management team, corporate practices, cybersecurity, and regulatory compliance. Since the inception of the crypto economy, numerous cryptocurrency assets platforms have also been sued, investigated, or shut down due to fraud, manipulative practices, business failure, security breaches and government mandated regulation. In many of these instances, customers of these platforms were not compensated or made whole for their losses. In addition, there have been reports that a significant amount of cryptocurrency asset trading volume on cryptocurrency asset platforms is fabricated and false in nature, with a specific focus on unregulated platforms located outside the United States. Such reports may indicate that the market for cryptocurrency asset platform activities is significantly smaller than otherwise understood.

For example, in the second half of 2022 and beginning of 2023, each of Celsius, Voyager, Three Arrows and Genesis declared bankruptcy, resulting in a loss of confidence in participants of the digital asset ecosystem and negative publicity surrounding digital assets more broadly. In November 2022, FTX, the third largest digital asset exchange by volume at the time, halted customer withdrawals and shortly thereafter, FTX and its subsidiaries filed for bankruptcy.

In response to these events, the digital asset markets, including the market for Bitcoin specifically, have experienced extreme price volatility and several other entities in the digital asset industry have been, and may continue to be, negatively affected, further undermining confidence in the digital assets markets and in bitcoin. These events have also negatively impacted the liquidity of the digital assets markets as certain entities affiliated with FTX engaged in significant trading activity. If the liquidity of the digital assets markets continues to be negatively impacted by these events, digital asset prices (including the price of Bitcoin) may continue to experience significant volatility and confidence in the digital asset markets may be further undermined. These events are continuing to develop and it is not possible to predict at this time all of the risks that they may pose to us, our service providers or on the digital asset industry as a whole.

Negative perception, a lack of stability and standardized regulation in the crypto economy, and the closure or temporary shutdown of cryptocurrency asset platforms, and associated losses suffered by customers may reduce confidence in the crypto economy and result in greater volatility of the prices of assets, including significant depreciation in value. Any of these events could harm an adverse impact on our business.

***Product defects resulting in a large-scale product recall or product liability claims against us could materially and adversely affect our business, results of operations and reputation***

We manufacture products in accordance with internationally accepted quality standards and specifications provided by our customers. However, we cannot assure you that all products produced by us are free of defects. Consequently, any product defects identified by our customers or end users might erode our reputation and negatively affect our customer relationships and future business. Product defects may also result in product returns and large-scale product recalls or product liability claims against us for substantial damages. Such claims, irrespective of the outcomes or the merits, would likely be time-consuming and costly to defend and could divert significant resources and management attention. Furthermore, even if we are able to defend any such claim successfully, we cannot assure you that our customers will not lose confidence in our products or that our future relationships with our customers will not be damaged. As a result, our business, results of operations, reputation and brand image could be materially and adversely affected by any product defects.

***Power shortages, labor disputes and other factors may result in constraints on our production activities***

Historically, we have not experienced constraints on our production activities, including at our assembly plant, due to power shortages, labor disputes or other factors. However, there can be no assurance that our operations will not be affected by power shortages, labor disputes or other factors in the future, thereby causing material production disruptions and delays in our delivery schedule. In such event, our business, results of operations and financial condition could be materially and adversely affected.

***Cybersecurity incidents, including data security breaches or computer viruses, could harm our business by disrupting our delivery of services, damaging our reputation or exposing us to liability***

We receive, process, store and transmit, often electronically, the data of our customers and others, much of which is confidential. Unauthorized access to our computer systems or stored data could result in the theft, including cyber-theft, or improper disclosure of confidential information, and the deletion or modification of records could cause interruptions in our operations. These cybersecurity risks increase when we transmit information from one location to another, including over the Internet or other electronic networks. Despite the security measures that we have implemented, our facilities, systems and procedures, and those of our third-party service providers, may be vulnerable to security breaches, acts of vandalism, software viruses, misplaced or lost data, programming or human errors or other similar events which may disrupt our delivery of services or expose the confidential information of our customers and others. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential information of our customers or others, whether by us or a third party, could subject us to civil and criminal penalties, have a negative impact on our reputation, or expose us to liability to our customers, third parties or government authorities. We are not aware of material breaches to date. Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

***If we suffer failure or disruption in our information systems, our ability to effectively manage our business operations could be adversely affected***

We use information systems to obtain, process, analyze and manage data crucial to our business such as our enterprise resource planning system. We use these systems to, among other things, monitor the daily operations of our business, maintain operating and financial data, manage our distribution network as well as manage our research and development activities, production operations and quality control systems. Any system damage or failure that interrupts data input, retrieval or transmission or increases service time could disrupt our normal operations. In particular, our operations could be disrupted if such damage or failure includes any security breach caused by hacking or cybersecurity incidents, involves efforts to gain unauthorized access to our information or systems, or causes intentional malfunctions, loss or corruption of data, software or hardware, the intentional or inadvertent transmission of computer viruses and similar events or third-party actions. There can be no assurance that we will be able to effectively handle a failure of our information systems, or that we will be able to restore our operational capacity in a timely manner to avoid disruption to our business. The occurrence of any of these events could adversely affect our ability to effectively manage our business operations and negatively impact our reputation.

***We may be subject to liability in connection with industrial accidents at our manufacturing facilities***

Due to the nature of our operations, we are subject to the risks of potential liability associated with industrial accidents at our production facilities. We cannot assure you that industrial accidents, whether due to malfunction of equipment or other reasons, will not occur in the future at our production facilities. Under such circumstances, we may be subject to employee claims for compensation or penalties imposed by relevant government authorities and may suffer damage to our reputation. In addition, we may experience interruptions in our operations or may be required to change the manner in which we operate, as a result of governmental investigations or the implementation of safety measures due to accidents. Any of the foregoing events could materially and adversely affect our business, financial condition and results of operations.

***We currently do not have insurance coverage covering all risks related to our business and operations***

We do not maintain insurance policies covering all of our business risks, such as risks relating to properties, receivables, goods in transit and public liability. There is no assurance that the insurance coverage we do have would be sufficient to cover our potential losses. See the section headed "Item 4. Information on the Company—B. Business Overview—Insurance" for more information on the insurance policies maintained by us. In the event there is any damage to these items, we would have to pay for the difference ourselves where our cash flow and liquidity could be negatively affected.

***If we fail to comply with labor, work safety or environmental regulations, we could be exposed to penalties, fines, suspensions or action in other forms***

Our operations are subject to the labor, work safety and environmental protection laws and regulations promulgated by the PRC government. These laws and regulations require us to pay social insurance, maintain safe working conditions and adopt effective measures to control and properly dispose of solid waste and other environmental pollutants. We could be exposed to penalties, fines, suspensions or actions in other forms if we fail to comply with these laws and regulations. The laws and regulations in the PRC may be amended from time to time and changes in those laws and regulations may cause us to incur additional costs in order to comply with the more stringent rules. In the event that changes to existing laws and regulations require us to incur additional compliance costs or require costly changes to our production process, our costs could increase and we may suffer a decline in sales for certain products, as a result of which our business, financial conditions and results of operations could be materially and adversely affected.

***The determination of the fair value changes of our financial assets measured at fair value through profit or loss requires the use of estimates that are based on unobservable inputs, and therefore inherently involves a certain degree of uncertainty***

We use significant unobservable inputs, such as discount rate, expected rate of return, expected volatility and risk-free interest rate, in valuing our financial assets measured at fair value through profit or loss including bank wealth management products. The fair value change of financial assets at fair value through profit or loss may affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control such as general economic condition and changes in market interest rates may influence and cause adverse changes to the estimates we use and thereby affect the fair value of our financial assets measured at fair value through profit or loss, which in return may adversely affect our results of operation and financial condition.

***The loss of any member of our senior management team, or our failure to attract, train and retain qualified personnel, especially our design and technical personnel, could impair our ability to grow our business and effectively execute our business strategy***

Since our inception, the growth and expansion of our business operations have been dependent upon the business strategies and foresight of our senior management. Our future success depends, in large part, on the continued contributions of our senior management team, specifically Dong Hu.

In addition, our future success depends on our ability to retain, attract and incentivize qualified personnel, including our management, sales, marketing, finance and especially research and development personnel. As the driver of our technological and product innovations, our research and development personnel represent a very significant asset of ours. As the technology in the semiconductor, blockchain and Fintech industries are advancing at a quick pace, there is an increasing need for skilled engineers. Many companies across the world are struggling to find suitable candidates for their research and development positions. The process of hiring employees with the combination of skills and characteristics required to implement our strategy can be extremely competitive and time-consuming. We cannot assure you that we will be able to attract adequate personnel as we continue to pursue our business strategies.

Moreover, we cannot assure you that we will be able to retain key existing employees. The loss of our founder, or any of our senior management or research and development team members could harm our ability to implement our business strategies and respond to the rapidly changing market conditions in which we operate, or could result in other operating risks. The loss of one or more of our key employees, especially our key design and technical personnel, or our inability to retain, attract and motivate qualified design and technical personnel, could have a material adverse effect on our business, financial condition and results of operations.

***Our corporate actions are significantly influenced by our principal shareholders, including Mr. Hu, our chairman of the board of directors, chief executive officer and chief financial officer, who have the ability to exert significant influence over important corporate matters that require approval of shareholders while their interests may differ from those of the other shareholders. This may deprive you of the opportunity to receive a premium for your Class A Ordinary Shares and materially reduce the value of your investment***

Our share capital is designated into Class A ordinary shares and Class B ordinary shares, par value HK\$0.03 per share (“Class B ordinary shares”). Each Class A ordinary share is entitled to one vote and each Class B ordinary share is entitled to twenty (20) votes at general meetings of our shareholders. Mr. Hu, our chairman of the board of directors, chief executive officer and chief financial officer, beneficially owns 100% of our Class B ordinary shares, representing approximately 86.2% of the aggregate voting power of our issued and outstanding share capital as of April 25, 2024. However, the interests of our chairman of the board of directors, chief executive officer and chief financial officer may differ from the interests of other shareholders. This concentration of ownership and the protective provisions in our second amended and restated articles of association (the “Articles”) may discourage, delay or prevent a change in control of our company, which could have the dual effect of depriving our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and reducing the price of our Class A ordinary shares. We may not be able to enter into other transactions that could be beneficial to us without the consent of Mr. Hu. As a result of the foregoing, the value of your investment could be materially reduced.

***Any change or discontinuation of preferential tax treatment we currently enjoy would increase our tax charge***

Our PRC subsidiaries are subject to the PRC corporate income tax at a standard rate of 25% on their taxable income, but in 2021, 2022 and 2023, preferential tax treatment was available to three (3) of our PRC subsidiaries. Zhejiang Ebang obtained the “high-tech enterprise” tax status in November 2017, which reduced its statutory income tax rate to 15% from November 2017 to November 2020. Zhejiang Ebang further re-applied and obtained the “high-tech enterprise” tax status for three years from December 2020. At the end of the three-year period, Zhejiang Ebang further re-applied and obtained the “high-enterprise” tax status for three years from December 2023. Hangzhou Dewang obtained the “high-tech enterprise” tax status in November 2018, which reduced its statutory income tax rate to 15% from November 2018 to November 2021. Hangzhou Dewang further re-applied and obtained the tax status “high-tech enterprise” tax for the three-year period start from December 2021. In addition, Ebang IT obtained the “high-tech enterprise” tax status in December 2021, which reduced its statutory income tax rate to 15% from December 2021 to December 2024.

We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be canceled. Moreover, we cannot assure you that our PRC subsidiaries will be able to renew the same preferential tax treatments upon expiration. If any such change, cancelation or discontinuation of preferential tax treatment occurs, the relevant PRC subsidiaries will be subject to the PRC’s EIT, at a rate of 25% on taxable income. As a result, the increase in our tax charge could materially and adversely affect our results of operations.

***The joint statement by the SEC and the PCAOB, rule changes by Nasdaq, and the HFCAA and related regulations, all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our continued listing of our Class A ordinary shares or future offerings of our securities in the U.S.***

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

On May 18, 2020, Nasdaq filed three proposals with the SEC to (i) apply a minimum offering size requirement for companies primarily operating in a “Restrictive Market,” (ii) adopt a new requirement relating to the qualification of management or the board of directors for Restrictive Market companies, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company’s auditor. On October 4, 2021, the SEC approved Nasdaq’s revised proposal for the rule changes.

On May 20, 2020, the U.S. Senate passed the HFCAA requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company’s auditors for three consecutive years, the issuer’s securities are prohibited to trade on a national exchange. On December 2, 2020, the U.S. House of Representatives approved the HFCAA. On December 18, 2020, the HFCAA was signed into law.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCAA.

On September 22, 2021, the PCAOB adopted a final rule implementing the HFCAA, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether the board of directors of a company is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction.

On December 2, 2021, the SEC adopted amendments to finalize rules implementing the submission and disclosure requirements in the HFCAA.

On December 16, 2021, the PCAOB issued a report on its determinations that it was unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in the PRC and in Hong Kong because of positions taken by the PRC and Hong Kong authorities in those jurisdictions.

On August 26, 2022, the CSRC, MOF, and the PCAOB signed the Protocol, governing inspections and investigations of audit firms based in China and Hong Kong, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in the PRC and Hong Kong. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC.

On December 15, 2022, the PCAOB determined that it was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and vacated its previous determinations to the contrary. However, should PRC authorities obstruct or otherwise fail to facilitate the PCAOB's access in the future, the PCAOB may consider the need to issue a new determination.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, the Consolidated Appropriations Act 2023 was signed into law, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act, which reduces the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two.

Our financial statements contained in this annual report on Form 20-F for the year ended December 31, 2023 have been audited by our U.S.-based auditor, MaloneBailey, LLP, an independent registered public accounting firm that is headquartered in the United States with offices in Beijing and Shenzhen. MaloneBailey, LLP is not among the PCAOB-registered public accounting firms headquartered in the PRC or Hong Kong that are subject to PCAOB's determination on December 16, 2021 of having been unable to inspect or investigate completely. As of the date of this annual report, we have not been identified by the SEC as a commission-identified issuer under the HFCAA. However, we cannot assure you whether Nasdaq or regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements. Furthermore, the HFCAA and related laws, which now require the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years, may result in the delisting of our Class A ordinary shares or the prohibition of trading in our securities in the future if the PCAOB is unable to inspect our auditor at such future time. Delisting may cause a significant decrease in or a total loss of the value of our securities. Although a shareholder's ownership of our Company may not decrease directly from delisting, the ownership may become worth much less, or, in some cases, lose its entire value.

***We incur significant costs and demands upon management and accounting and finance resources as a result of complying with the laws and regulations affecting public companies; if we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements and otherwise make timely and accurate public disclosure could be impaired, which could harm our operating results, our ability to operate our business and our reputation***

As a public reporting company, we are required to, among other things, maintain a system of effective internal control over financial reporting. Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. Substantial work will continue to be required to further implement, document, assess, test and remediate our system of internal controls. As of December 31, 2023, our disclosure controls and procedures were not effective and management determined that we did not maintain effective internal control over financial reporting due to a material weakness. Management is undertaking actions to remediate the material weaknesses, but there is no assurance they will be remediated this year. See "Item 15. Control and Procedures—Internal Control Over Financial Reporting."

If our internal control over financial reporting or our disclosure controls are not effective, we may be unable to issue our financial statements in a timely manner, we may be unable to obtain the required audit or review of our financial statements by our independent registered public accounting firm in a timely manner or we may be otherwise unable to comply with the periodic reporting requirements of the SEC, the listing of our Class A ordinary shares on Nasdaq could be suspended or terminated and our Class A ordinary share price could materially suffer. In addition, we or members of our management could be subject to investigation and sanction by the SEC and other regulatory authorities and to shareholder lawsuits, which could impose significant additional costs on us and divert management attention.

### ***Fluctuations in exchange rates could affect our results of operations and reduce the value of your investment***

We have subsidiaries in multiple countries which operate in local currencies. Our reporting currency is denominated in U.S. dollars. We are exposed to currency risks primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transaction relates. We are therefore subject to the risk of fluctuations in the exchange rate of U.S. dollars against Australian dollars, Hong Kong dollars, Renminbi, South Korean won and Euros. The value of U.S. dollars against Australian dollars, Hong Kong dollars, Renminbi, South Korean won and Euros fluctuates and is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. With the development of the foreign exchange market and progress toward interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Australian dollars, Hong Kong dollars, South Korean won, U.S. dollars or Euros in the future.

We incurred a foreign exchange gain of US\$1.8 million and US\$0.5 million in 2021 and 2023, respectively, and a foreign exchange loss of US\$2.2 million in 2022. We had currency translation gains of US\$1.0 million in 2021, recognized in other comprehensive gain, and currency transaction loss of US\$5.3 million and US\$2.3 million in 2022 and 2023, respectively, which is recognized in other comprehensive loss. Such currency translation gains or losses resulted from exchange differences on translation of financial statements of our entities using currencies other than U.S. dollars as their functional currencies; there is no tax impact generated during the translation.

In addition, should Renminbi appreciate against other currencies, the value of the proceeds from any future financings, which are to be converted from U.S. dollars or other currencies into Renminbi, would be reduced and might accordingly hinder our business development due to the reduced amount of funds raised. On the other hand, in the event of devaluation of Renminbi, the dividend payments of our company, which are to be paid in U.S. dollars after conversion of the distributable profit denominated in Renminbi, would be reduced. Hence, substantial fluctuation in the currency exchange rate of Renminbi may have a material adverse effect on our business, results of operations and financial condition and the value of your investment in our Class A ordinary shares.

### **Risks Relating to Our Securities**

***Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our Class A ordinary shares for a 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 the Class A ordinary shares as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. 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, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our Class A ordinary shares will likely depend entirely upon any future price appreciation of the Class A ordinary shares. There is no guarantee that the Class A ordinary shares will appreciate in value or even maintain the price at which you purchased the Class A ordinary shares. You may not realize a return on your investment in our Class A ordinary shares and you may even lose your entire investment in our Class A ordinary shares.

***There can be no assurance that we will not be classified as a passive foreign investment company ("PFIC"), for U.S. federal income tax purposes for any taxable year, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our Class A ordinary shares and related securities***

A non-U.S. corporation, such as our company, will be classified as a PFIC, for U.S. federal income tax purposes 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 the "income test"; or (2) at least 50% of the value of its assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income, or the "asset test." Based on the current and expected composition of our income and assets and value of our assets and projections as to the value of our Class A ordinary shares, we do not presently expect to be a PFIC for the current taxable year. However, no assurance can be given in this regard because the determination of whether we are or will become a PFIC for any taxable year is a fact-intensive inquiry made on an annual basis that depends, in part, upon the composition of our income and assets, which may change over time if we expand and diversify our product offerings. Fluctuations in the market price of our Class A ordinary shares may cause us to be or become a PFIC for the current or subsequent taxable years because the value of our assets for the purpose of the asset test may be determined by reference to the market price of our Class A ordinary shares (which has been and may continue to be volatile). The composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets and the cash.

If we were to be or become a PFIC for any taxable year during which a U.S. Holder (as defined in "Item 10. Additional Information—E. Taxation—Material U.S. Federal Income Tax Considerations") holds our Class A ordinary shares or warrants, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See "Item 10. Additional Information—E. Taxation—Material U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

***Our Articles contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our Class A ordinary shares***

Our Articles 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 board of directors has 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 ordinary shares. 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 Class A ordinary shares may fall and the voting and other rights of the holders of our Class A ordinary shares may be materially and adversely affected.

***You may face difficulties in protecting your interests in the Company, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law and conduct our operations primarily in emerging markets***

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

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

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. If we choose to follow home country practice in the future, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

In addition, we conduct substantially all of our business operations in emerging markets, including China, and substantially all of our directors and senior management are based in China. The SEC, the U.S. Department of Justice (the “DOJ”), and other authorities often have substantial difficulties in bringing and enforcing actions against non-U.S. companies and non-U.S. persons, including company directors and officers, in certain emerging markets, including China. Additionally, our public shareholders may have limited rights and few practical remedies in emerging markets where we operate, as shareholder claims that are common in the United States, including class action securities law and fraud claims, generally are difficult or impossible to pursue as a matter of law or practicality in many emerging markets, including China. For example, in China, there are significant legal and other obstacles for the SEC, the DOJ and other U.S. authorities to obtaining information needed for shareholder investigations or litigation. Although the competent authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, the regulatory cooperation with the securities regulatory authorities in the United States has not been efficient in the absence of a mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law which became effective in March 2020, no foreign securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to foreign securities regulators.

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

***As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the relevant listing standards***

As a Cayman Islands company listed on the Nasdaq Global Select Market, we are subject to the Nasdaq Stock Market listing standards (“Nasdaq Rules”). However, the Nasdaq Rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq Rules. We currently follow home country practice in lieu of the requirements under the Nasdaq Rules with respect to certain corporate governance standards. For example, based on home country practice, we are not required to seek shareholder approval for issuance of 20% or more of our outstanding ordinary shares or voting power in a private offering (as defined by Nasdaq Rules) and we are not required to host an annual general meeting of shareholders each year. Accordingly, our shareholders may not be provided with the benefits of certain corporate governance requirements of the Nasdaq Rules.

***Cayman Islands economic substance requirements may have an effect on our business and operations***

Our Company is subject to Cayman Islands economic substance legislation (“ESA”) requiring that where our company carries on a relevant activity (as defined in the ESA) it must maintain economic substance within the Cayman Islands, including adequate premises and employees within the Cayman Islands. As an entity subject to the ESA, our Company is required to assess its operations to determine the required compliance (if any) with the ESA, to file an annual notification with the Cayman Islands Registrar of Companies disclosing whether our company is carrying out any relevant activities within the meaning of the ESA and an annual return with the Department of International Tax Co-Operation. Where applicable, our Company must establish that its operations satisfy the economic substance requirements of the ESA. Our company is required to monitor its operations to ensure it remains in compliance with all requirements under the ESA. Failure to satisfy these requirements may subject us to penalties under the ESA.

***Our dual-class voting structure 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 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 Class A ordinary shares are entitled to one vote per share, while the sole holder of Class B ordinary shares is entitled to 20 votes per share. 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 shares by a holder thereof to any non-affiliate of such holder, each of such Class B ordinary shares will be automatically and immediately converted into one Class A ordinary share.

Mr. Hu, our founder, chairman of the board of directors, chief executive officer and chief financial officer, beneficially owns all of our issued Class B ordinary shares. These Class B ordinary shares constituted approximately 23.8% of our total issued and outstanding shares of the Company and 86.2% of the aggregate voting power of the total issued and outstanding shares of the Company as of April 25, 2024. As a result of the dual-class share structure and the concentration of ownership, Mr. Hu has a considerable influence over matters such as decisions regarding mergers and consolidations, election of directors and other significant corporate actions. He 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 Class A ordinary shares. 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 may view as beneficial.

In addition, certain shareholder advisory firms have announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. Several shareholder advisory firms have also announced their opposition to the use of multiple class structures. As a result, the dual-class structure of our ordinary shares may prevent the inclusion of our Class A ordinary shares in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our Class A ordinary shares. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A ordinary shares.

***We are a “controlled company” within the meaning of the Nasdaq Rules, and, as a result, can rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies***

We are a “controlled company” as defined under the Nasdaq Rules as Mr. Hu, our founder, chairman of the board of directors, chief executive officer and chief financial officer, owns more than 50% of our total voting power. For so long as we remain a controlled company under that definition, we are permitted to elect to rely, and may rely, on certain exemptions from corporate governance rules. As a result, you may not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

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

We are a Cayman Islands company and the majority of our assets are located outside of the United States. In addition, a majority of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons may be located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

***We are an emerging growth company within the meaning of the JOBS Act and may take advantage of certain reduced reporting requirements***

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company until the fifth anniversary from the date of our initial listing.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

***We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies***

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We have and plan to continue to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we publish our results on a semi-annual basis through press releases, distributed pursuant to the rules and regulations of the Nasdaq Global Select Market. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely than that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

***Certain data and information in this annual report were obtained from third-party sources and were not independently verified by us***

This annual report contains certain data and information that have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. Statistical data in these sources of information also include projections based on a number of assumptions. The countries where we operate property markets may not grow at the rate projected by such statistical data, or at all. The failure of our industry to grow at the projected rate may have a material adverse effect on our business. In addition, the complex and changing nature of the broad macroeconomic factors discussed in this annual report may result in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data is later found to be incorrect, actual results may differ from the projections based on these assumptions.

We have not independently verified the data and information contained in such third-party publications and reports. Data and information contained in such third-party publications and reports may be collected using third-party methodologies, which may differ from the data collection methods used by us. In addition, these industry publications and reports generally indicate that the information contained therein was believed to be reliable, but do not guarantee the accuracy and completeness of such information. You should therefore not place undue reliance on such information.

## **General Risks**

***We have in the past incurred and continue to incur losses and negative cash flows from operating activities, and we may not achieve or sustain profitability***

We incurred a loss from operations of US\$48.0 million and US\$53.6 million in 2022 and 2023, respectively, while we generated an income from operations of US\$2.0 million in 2021. We generated gross profit of US\$29.2 million and US\$15.4 million in 2021 and 2022, respectively, and incurred a gross loss of US\$16.7 million in 2023. We had negative cash flows from operating activities of US\$15.8 million and US\$11.7 million for 2021 and 2023, respectively, and positive cash flows from operating activities of US\$4.3 million for 2022. In addition, we have received significant non-recurring tax rebates from local governments in the past, but we cannot assure you that we will continue to receive significant tax rebates or other discretionary government grants in the future. Even if we are eligible for any additional tax rebates or other government grants, we cannot assure you of the timing and the amount of any such rebates or other grants. To the extent that we do not receive any additional tax rebates or other government grants, our financial condition could be materially and adversely affected. We cannot assure you that we will be able to generate net profit or positive cash flow from operating activities in the future. Our ability to achieve profitability will depend in large part on our ability to control expenses and manage our growth effectively, to achieve a more stable performance given the significant fluctuation and volatility of the Bitcoin price and Bitcoin mining machine business, and to maintain our competitive advantage in the Bitcoin markets. We expect to continue to make investments in the development and expansion of our business, which will place significant demands on our management and our operational and financial resources. Continuous expansion may increase the complexity of our business, and we may encounter various difficulties. We may fail to develop and improve our operational, financial and management controls, enhance our financial reporting systems and procedures, recruit, train and retain highly skilled personnel, or maintain customer satisfaction to effectively support and manage our growth. If we invest substantial time and resources to expand our operations but fail to manage the growth of our business and capitalize on our growth opportunities effectively, we may not be able to achieve profitability, and our business, results of operations and financial condition would be materially and adversely affected.

***Our limited operating history and our volatile historical results of operations could make it difficult for us to forecast our business and assess the seasonality and volatility in our business***

We began producing and selling our own brand mining machines in December 2016. We generated US\$51.5 million, US\$32.3 million and US\$4.9 million, in revenue in 2021, 2022 and 2023, respectively. As we have suffered from the significant drop in the average Bitcoin price historically, we cannot assure you that we will be able to gain revenue growth or that we will not experience another significant decline.

As the market for Bitcoin mining machines is relatively nascent and still rapidly evolving, we cannot forecast longer-term demand or order patterns for our products. Because of our limited operating history and historical data, as well as the limited visibility into future demand trends for our products, we may not be able to accurately forecast our future total revenue and budget our operating expenses accordingly. As most of our expenses are fixed in the short-term or incurred in advance of anticipated total revenue, we may not be able to adjust our expenses in a timely manner in order to offset any shortfall in revenue.

Our business is subject to the varying order patterns of the Bitcoin mining machine market. In addition, many of the regions in which our products are purchased have varying holiday seasons that differ from traditional patterns observed by other semiconductor suppliers and these seasonal buying patterns can impact our sales. We have experienced fluctuations in orders during our limited operating history, and we expect such volatility to occur in the future. Our volatile historical results of operations could make it difficult to assess the impact of seasonal factors on our business. If we or any of our third-party manufacturing service providers are unable to increase production of new or existing products to meet any increases in demand due to seasonality or other factors, our total revenue would be adversely affected and our reputation with our customers may be damaged. Conversely, if we overestimate customer demand, we may reduce our orders or delay shipments of our products from units forecasted, and our total revenue in a particular period could be lower than expected.

***Our business requires significant financial resources and we may need additional capital but may not be able to obtain it in a timely manner and on favorable terms or at all***

We had negative cash flows from operating activities of US\$15.8 million and US\$11.7 million for 2021 and 2023, respectively, positive cash flows from operating activities of US\$4.3 million for 2022. We have in the past financed our working capital needs primarily with our net cash from operating activities, capital contributions by shareholders and bank borrowings.

We may require additional cash resources due to the future growth, development and expansion of our business. Our future capital requirements may be substantial as we seek to expand our operations, diversify our product offering, and pursue acquisitions and equity investments. In addition, we incurred accrued payables of US\$9.8 million and accounts payable of US\$0.3 million as of December 31, 2023. If our cash resources are insufficient to satisfy our cash requirements, we may be required to seek to issue additional equity or debt securities or obtain new or expanded credit facilities or enter into additional factoring arrangements.

Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows and the liquidity of international capital and lending markets. In addition, our loan agreements may contain financial covenants that restrict our ability to incur additional indebtedness or to distribute dividends. Any indebtedness that we may incur in the future may also contain operating and financial covenants that could further restrict our operations. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. A large amount of bank borrowings and other debt may result in a significant increase in interest expense while at the same time exposing us to increased interest rate risks. Equity financings could result in dilution to our shareholders, and the securities issued in future financings may have rights, preferences and privileges that are senior to those of our ordinary shares. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, results of operations and financial condition.

***Third parties have claimed and may, from time to time, assert or claim that we infringed their intellectual property rights and any failure to protect our intellectual property rights could have a material adverse impact on our business***

We operate in an industry where participants own a large number of patents and other intellectual property rights that are material to operations and will vigorously pursue, protect and defend these rights. Our competitors or other third parties may allege to own intellectual property rights and interests that could potentially conflict with our own. It is difficult to monitor all of the patent applications and other intellectual property rights protection registrations or applications that may be filed in the PRC or in other relevant jurisdictions. If we offer products that may potentially infringe on such pending applications and the applications are granted, third parties may initiate intellectual infringement claims against us.

As we expand our operations with new products and into new markets, the chances of encountering infringement claims by third parties will increase. We may incur substantial costs in defending or settling such disputes and such actions could divert significant resources and management attention. In addition, some of our customer agreements in the future may require us to indemnify and defend our customers from third-party infringement claims and to pay damages in the case of adverse rulings. As such, claims of this sort also could harm our relationships with our customers and may deter future customers from doing business with us. If securities analysts and investors regard these announcements as negative, the market price of our Class A ordinary shares may decline. We do not know whether we could prevail in any such proceeding given the complex technical issues and inherent uncertainties involved in IP litigation. If any pending or future proceedings result in an adverse outcome, we could be required to:

- cease the manufacturing, use or sale of the infringing products, processes or technologies;
- stop shipment to certain geographic areas;
- pay substantial damages for infringement;
- expend significant resources to develop non-infringing processes, technologies or products;
- license technology from the third-party claiming infringement, which license may not be available on commercially reasonable terms, or at all;
- cross-license our technology to a competitor in order to resolve an infringement claim, which could weaken our ability to compete with that competitor; or
- pay substantial damages to our customers to discontinue their use of or replace infringing products sold to them with non-infringing products.

Even if intellectual property claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and require significant expenditures. Moreover, such claims, whether successful or not, may cause significant damage to our reputation and a loss of customers. Any of the foregoing could prevent us from competing effectively and could have an adverse effect on our business, operating results, and financial condition.

***The industries in which we operate and which we intend to operate in the future are characterized by constant changes. If we fail to continuously innovate and to provide products that meet the expectations of our customers, we may be unable to attract new customers or retain existing customers, and hence our business and results of operations may be adversely affected***

The industries in which we operate and intend to operate in the future are characterized by constant changes, including rapid technological evolution, continual shifts in customer demands, frequent introductions of new products and solutions and constant emergence of new industry standards and practices. Thus, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. To maintain the relevancy of our products and to continue to broaden and enhance our product portfolio for delivering the most effective products to our customers, we have actively invested in product planning and research and development. The process of developing and marketing new products is inherently complex and involves significant uncertainties, including the following:

- our product planning efforts may fail resulting in the development or commercialization of new technologies or ideas;
- our research and development efforts may fail to translate new product plans into commercially feasible products;
- our new technologies or new products may not be well received by consumers;
- we may not have adequate funding and resources necessary for continual investments in product planning and research and development;
- our products may become obsolete due to rapid advancements in technology and changes in consumer preferences; and
- our newly developed technologies may not be protected as proprietary intellectual property rights.

Any failure to anticipate the next-generation technology roadmap or changes in customer preferences or to timely develop new or enhanced products in response could result in decreased revenue and market share. In particular, we may experience difficulties with product design, product development, marketing or certification, which could result in excessive research and development expenses and capital expenditure, delays or prevent our introduction of new or enhanced products. Furthermore, our research and development efforts may not yield the expected results, or may prove to be futile due to the lack of market demand.

***If we are unable to maintain or enhance our brand recognition, our business, results of operations and financial condition may be materially and adversely affected***

Maintaining and enhancing the recognition, image and acceptance of our brand are important to our ability to differentiate our products from and to compete effectively with our peers. Our brand image, however, could be jeopardized if we fail to maintain high product quality, pioneer and keep pace with evolving technology trends, or timely fulfill the orders for our products. If we fail to promote our brand or to maintain or enhance our brand recognition and awareness among our customers, or if we are subject to events or negative allegations affecting our brand image or the publicly perceived position of our brand, our business, operating results and financial condition could be adversely affected.

***If counterfeit products are sold under our brand names and trademarks, our reputation and financial results could be materially and adversely affected***

Third-party merchants and dealers are separately responsible for sourcing counterfeit products that are sold under our brand names and trademarks. Counterfeit products may be defective or inferior in quality as compared to authentic products. If our customers are not satisfied by counterfeit products sold under our brand names and trademarks, we may be subject to reputational damage. We believe our brand and reputation are important to our success and our competitive position. The discovery of counterfeit products sold under our brand names and trademarks may severely damage our reputation and cause customers to refrain from making future purchases from us, which would materially and adversely affect our business operations and financial results.

***We face risks of unexpected events, including natural disasters, acts of God and occurrence of epidemics, which could severely disrupt our business operations***

Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China and in other territories in which we operate and may materially and adversely affect our operations, as our offices and primary facilities are located in China and we have other offices and facilities outside of China. Material damage to, or the loss of, such facilities due to fire, severe weather, flood, earthquake, or other acts of God or cause may not be adequately covered by proceeds of our insurance coverage and could materially and adversely affect our business and results of operations. Any outbreaks of contagious disease, acts of war or terrorist attacks may cause damage or disruption to our business, our employees and our markets, any of which could adversely impact our business and results of operations.

***The trading price of our Class A ordinary shares may be volatile, which could result in substantial losses to investors***

The trading price of our Class A ordinary shares has been volatile since our Class A ordinary shares began to trade on the Nasdaq Global Select Market on June 26, 2020. The trading price of our Class A ordinary shares has previously and may in the future fluctuate widely due to factors beyond our control. This volatility may occur because of broad market and industry factors, like the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States as well as factors related to the cryptocurrency industry and pricing of cryptocurrencies generally. A number of Chinese companies have listed or are in the process of listing (or attempting to list) their securities on U.S. stock markets. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of these Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States in general and consequently may impact the trading performance of the Class A ordinary shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for the Class A ordinary shares may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings and cash flow;
- changes in the operating performance or market valuations of other cryptocurrency related companies;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- additions or departures of key personnel;
- fluctuations of exchange rates between Renminbi and the U.S. dollar;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- potential litigation or regulatory investigations; and
- general economic or political conditions in China or elsewhere in the world.

Any of these factors may result in large and sudden changes in the volume and price at which the Class A ordinary shares will trade.

Additionally, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have engaged in any inappropriate activities. In particular, the global financial crisis and the ensuing economic recessions in many countries have contributed and may continue to contribute to extreme volatility in the global stock markets. These broad market and industry fluctuations may adversely affect the market price of our Class A ordinary shares. Volatility or a lack of positive performance in our Class A ordinary shares price may also adversely affect our ability to retain key employees, most of whom may be granted options or other equity incentives in the future.

***If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our Class A ordinary shares, the market price for the Class A ordinary shares and trading volume could decline***

The trading market for our Class A ordinary shares will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our Class A ordinary shares, the market price for our Class A ordinary shares would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for our Class A ordinary shares to decline.

***We will continue to incur increased costs as a public company, which could lower our profits or make it more difficult to run a business***

As a public company, we have incurred significant legal, accounting and other expenses that we did not incur as a private company to ensure that we comply with the various requirements on corporate governance practices imposed by the Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and Nasdaq. For example, we have increased the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We have also incurred additional costs associated with our public company reporting requirements. We expect that these rules and regulations will continue to cause us to incur elevated legal and financial compliance costs, devote substantial management effort to ensure compliance and make some corporate activities more time-consuming and costly. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

## ITEM 4. INFORMATION ON THE COMPANY

### A. History and development of the company

In January 2010, Mr. Hu, our founder, chairman of the board of directors, chief executive officer and chief financial officer, founded Zhejiang Ebang, which established Ebang IT in August 2010, to conduct development and sales of communications network access devices and related equipment. In early 2014, in view of the burgeoning opportunities in the blockchain industry, we began to conduct research and feasibility studies on the blockchain business and develop blockchain computing equipment. In August 2015, Zhejiang Ebang was listed in China on the National Equities Exchange and Quotations Co., Ltd. (the “NEEQ”). In August 2016, we acquired 51.05% of the equity interest in Hangzhou Dewang through our capital injection in Hangzhou Dewang. In March 2018, Zhejiang Ebang was delisted from the NEEQ in preparation for the reorganization.

On May 17, 2018, we incorporated Ebang International, our holding company, as an exempted company with limited liability in the Cayman Islands. In 2018, we underwent a series of corporate reorganizations for our initial public offering, including the incorporation of our company as the listing vehicle, incorporation of our oversea holding companies and issuance of shares to shareholders of Ebang Hongfa to reflect their respective shareholdings before the reorganization. We completed the reorganization in May 2018.

On June 26, 2020, our Class A ordinary shares commenced trading on the Nasdaq Global Select Market under the symbol “EBON.” We raised approximately US\$91.7 million in net proceeds after deducting underwriting commissions and the offering expenses payable by us from our initial public offering. From November 2020 to April 2021, we received net proceeds of an aggregate of approximately US\$209 million through follow-on public offerings.

From August 2020 to February 2023, to expand our Fintech businesses globally, we established our subsidiaries in Canada, Australia, Singapore, Hong Kong, the Bahamas, New Zealand and Malaysia. As of the date of this annual report, we have been operating a cryptocurrency exchange platform and a cross-border payment and foreign exchange platform outside the PRC; received the MSB License in Canada; received registration approval as a digital currency exchange provider; acquired a company with an AFSL and received registration approval as an independent remittance dealer in Australia; received the MSO License, Type 4 and 9 licenses, TCSP license and registration approval as a Trust Company in Hong Kong; and received registration as a Digital Asset Business and a Firm Dealing in Securities as Agent or Principal, Arranging Deals, Managing Securities and Advising on Securities in the Bahamas.

### Corporate Information

Our principal executive offices are located at 12 Marina View, #20-02B, Asia Square Tower 2, Singapore, 018961. Our telephone number at this address is +86 571-8817-6197. Our registered office in the Cayman Islands is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111.

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov). Investors should submit any inquiries to the address and telephone number of our principal executive offices. Our corporate website is <http://www.ebang.com>. Our agent for service of process in the United States is located at 122 East 42<sup>nd</sup> Street, 18th Floor, New York, N.Y. 10168, United States.

### B. Business Overview

As a global blockchain technology and Fintech company, we have strong ASIC chip design capability. With years of industry experience and expertise, we have become a global Bitcoin mining machine producer. Based on our deep understanding of the Fintech industry and compliance with laws and regulations in various jurisdictions, we have launched professional, convenient and innovative Fintech service platforms.

We strive to diversify our offerings and achieve a more stable financial performance by seeking cryptocurrency mining and farming businesses while further expanding into more Fintech businesses, and exploring future opportunities. As of the date of this annual report, we have also been operating a cryptocurrency exchange platform and a cross-border payment and foreign exchange platform.

We believe our extensive experience in the blockchain and Fintech industries positions us well in our future endeavors. We intend to continue to concentrate our efforts in our blockchain and Fintech related businesses in 2024, and will adjust, from time to time, our strategic plan based on market demand, including pursuing business opportunities outside of the blockchain and Fintech industries, including the sustainable energy industry.

## Overseas Expansion

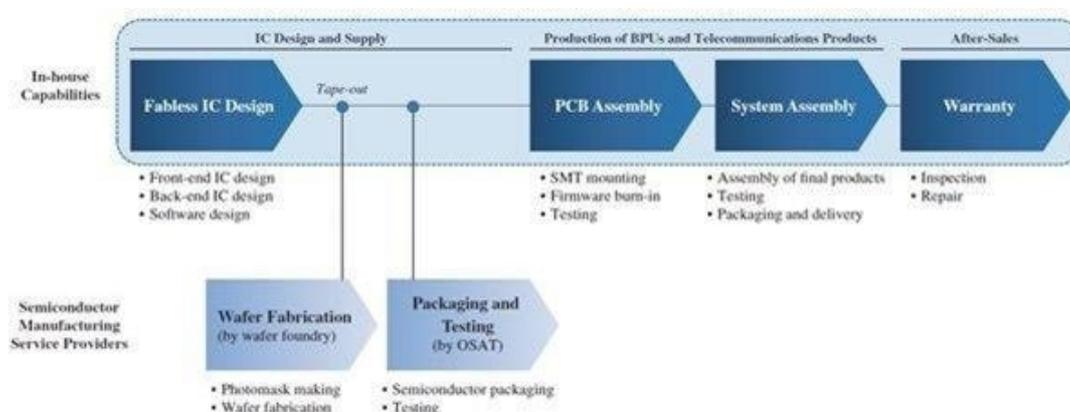
From August 2020 to February 2023, we established our wholly-owned subsidiaries in Canada, Australia, Singapore, Hong Kong, the Bahamas, New Zealand and Malaysia to apply for Fintech business related licenses and wholly-owned subsidiaries in the United States in accelerating the construction of compliant mining farms in North America. We carefully selected these countries and/or regions because of what we believe to be a Fintech-friendly regulatory environment. As of the date of this annual report, we have received the MSB License from the Financial Transactions and Reports Analysis Centre of Canada, which allows us to engage in foreign exchange dealing, money transferring and dealing in virtual currencies in Canada; received registration approval from AUSTRAC as a digital currency exchange provider, which allows us to provide cryptocurrency exchange services in Australia; acquired a company with an AFSL for engaging in financial services in Australia; received registration approval as an independent remittance dealer on the AUSTRAC Remittance Sector Register, which allows us to provide remittance services in Australia; received the TCSP license and registration approval as a Trust Company from the Company Registry in Hong Kong, which allows us to carry on a trust or company service business; received the MSO license from the Customs and Excise Department in Hong Kong, which allows us to operate money changing and remittance services; received the Type 4 and 9 licenses from the Securities and Futures Commission in Hong Kong, which allows us to carry on advising on securities and asset management service; and registered as a Digital Asset Business and a Firm Dealing in Securities as Agent or Principal, Arranging Deals, Managing Securities and Advising on Securities from the Securities Commission of the Bahamas, which allows us to carry on digital asset business activities and securities activities in and from the Commonwealth of the Bahamas. As of the date of this annual report, we have been operating a self-developed proprietary cryptocurrency exchange platform, Ebonex, and a self-developed proprietary cross-border payment and foreign exchange platform, EbonFX, targeting qualified investors subject to compliance with applicable laws in the jurisdictions in which EbonFX operates. We are also in the process of obtaining additional and/or relevant licenses and approvals for our subsidiaries in Singapore, Hong Kong, Australia, New Zealand and Malaysia. If and once obtained, the licenses will allow us to operate additional Fintech businesses in such countries and regions. Meanwhile, we are focused on application development, regulatory compliance and talent recruitment to ramp up execution of our new business plans for the expansion in these countries. We expect such ramp-up will support our future operations and our compliance with local rules and regulations. Our expenses to date to implement our new business plans, including establishing in Canada, Australia, Singapore, Hong Kong, the Bahamas, New Zealand, the United States and Malaysia, have been mainly on server rentals, application development, regulatory compliance, talent acquisition and offices rentals to set up blockchain and Fintech businesses in the abovementioned countries and regions. There is no guarantee that we will receive any additional required approvals and licenses for our proposed business in these jurisdictions in a timely manner or on commercially reasonable terms, or at all, or that we will commence the proposed business as planned, or at all. If our operations at these jurisdictions or our execution of business plan proves incorrect, we may incur additional expenses or losses.

Any restrictions imposed by a foreign government could force us to restructure operations, perhaps significantly, which could result in significant costs and inefficiencies that harm our profitability, or even cause us to cease operations in the applicable jurisdiction. Fintech is a recent technological innovation and the regulatory schemes to which Fintech businesses may be subject have not been fully explored or developed by foreign jurisdictions. Thus, Fintech faces an uncertain regulatory landscape in many foreign jurisdictions. Various foreign jurisdictions may from time to time adopt laws, regulations or directives that affect our Fintech businesses. Due in part to its international nature and the nascent stage of regulation, along with the limited experience with Fintech, and language barriers between international journalists, translators and regulators, information regarding the regulation of Fintech in various jurisdictions may be incomplete, inaccurate or unreliable. As both the regulatory landscape develops and journalistic familiarity with Fintech increases, mainstream media's understanding of Fintech and the regulation thereof may improve. As we enter into the markets in Australia, Singapore, Hong Kong, the Bahamas, New Zealand, the United States and Malaysia, we expect to continue to monitor the local regulations regarding Fintech service platforms and retain local regulatory counsels. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses—The current regulatory environment in foreign markets, and any adverse changes in those environments, could have material adverse impacts on our blockchain products business and our Fintech business," "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses—If we are unable to manage our growth or execute our strategies effectively, our business, results of operations and financial condition may be materially and adversely affected" and "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses—We may not successfully develop, market or launch any future Fintech businesses or continue operating our existing Fintech businesses" for details of the associated risks.

## Our Value Proposition

We design fabless ICs in the front-end and back-end, which are the major components of the IC product development chain. We currently dedicate our technology and expertise in IC design for our blockchain products business and telecommunication products business.

The following diagram illustrates the general process of IC design and production for our blockchain and telecommunications products businesses:



We independently design and develop our blockchain and telecommunications products in-house, including the design of proprietary ASIC chips for our cryptocurrency mining machines. Front-end IC design and back-end IC design are the key parts of the IC design process. We determine the parameters of the IC chip, establish the basic logic of the design, map out the initial plan for the physical layout, and conduct back-end verification on the design. Our strong design capability has ensured that we have achieved a 100% tape-out success rate to date. We then closely partner with industry-leading third-party suppliers to fabricate, test and package the IC products we design. Leveraging our long-established experience and know-how in producing telecommunications products, we have also established in-house production capabilities to conduct PCB assembly and system assembly for both mining machines and a wide range of telecommunications products. We believe our outstanding technical expertise and production experience in IC development chain enables us to continuously introduce ICs of higher performance and power efficiency for application in both the blockchain and telecommunications fields.

For the cryptocurrency exchange business, our retail customers are able to access a world class trading platform with low trading fees, along with a safe environment that ensures their digital assets are held securely. On this basis, our institutional clients through our over-the-counter (“OTC”) desk are able to get personalized customer experience, as well as immediate settlement into fiat or cryptocurrency, along with class-leading trading spreads.

As for the cross-border payment and foreign exchange business, clients can access competitive foreign exchange rates, fees and services in the market through the EbonFX platform. Additionally, our dedicated service team, comprising foreign exchange (“FX”) market specialists and experienced professionals, offers tailored solutions to mitigate FX risks for our corporate customers and help protect their costs. Using the platform, our customers have the ability to access our cross-border payment services across multiple currencies. Some of the key benefits of using EbonFX for cross-border payment include its simplicity and intuitiveness, its 24/7 availability, access to competitive FX rates in real-time, access to support from professionals, as well as FX risk management for our corporate clients. Our approach to international payments is centered around providing our customers with reliable, convenient, and cost-effective ways to transact online. We strive to make international payments simple and easy for our customers, offering personalized service and tailored solutions to meet the unique needs of each customer. Our customers typically are charged high margins and fees by their banks for their foreign currency transactions, hence our value proposition is to provide a better, more cost-effective payment solution for businesses and individuals operating across borders.

## **Our Blockchain Products Business**

Our blockchain products business consists primarily of Bitcoin mining machine sales.

### ***Bitcoin Mining Machine Products***

Our technology and expertise in ASIC applications is primarily dedicated to our blockchain products business, which consists predominantly of the design, development, production and sales of our proprietary ASIC-based Bitcoin mining machines under the Ebit brand. Our Ebit Bitcoin mining machines feature our proprietary ASICs, and the ASICs are integrated with components procured by us.

Since the beginning of our ASIC designing business, we have successfully and independently completed the design of 14nm, 12nm, 10nm, 8nm, 7nm and 6nm ASIC chips. Our existing ASIC chips are targeted at solving Bitcoin's cryptographic algorithms incorporating the latest technology. Since the launch of our first mining machine with 10nm ASIC chips in 2017, we have introduced mining machines with second generation 10nm ASIC chips in 2019 and mining machines with 8nm ASIC chips in 2020; and we have successfully and independently completed the design of 6nm ASIC chips and the design of a chip for simultaneous Litecoin and Dogecoin mining in 2021. We currently focus on developing our proprietary 5nm-optimized ASIC chips and optimized mining machines for non-Bitcoin cryptocurrencies such as Litecoin. We will continue to devote resources to new innovations applying blockchain technology and further determine the timeline for launching these products based on market demands and conditions.

We have also designed our hardware architecture to optimize the computing power of our ASIC chips while efficiently consuming energy. This includes incorporating heat dissipation technology, such as high-grade aluminum cases and customized heat sinks and fans. All of our mining machine products incorporate built-in controllers so they can operate as standalone devices. Our products utilize automatic cluster management software system for intelligent tracking and monitoring of the operation status of the device, which provides convenience for large-scale set-ups with multiple devices. Our products are also configured to allow for simplified software and internet connection setup, thereby reducing installation and configuration time.

We continuously introduce new series of Bitcoin mining machines incorporating the latest development of ASIC design and process technology. We also produce and sell Bitcoin mining machine accessories and offer ancillary service to our customers to assist their operations.

## **Our Fintech businesses**

Our Fintech businesses are primarily composed of cryptocurrency exchange and cross-border payment and foreign exchange.

### ***Our Cryptocurrency Exchange Business***

Currently in Australia, we have a self-developed cryptocurrency exchange platform operating under the name Ebonex, enabling users to buy, sell, or convert digital assets, which is targeted towards individual retail users and institutional customers. Ebonex is currently registered and enrolled as a digital currency exchange provider with the AUSTRAC to provide such services via the platform. We have integrated robust anti-money laundering and counter-terrorism financing ("AML/CTF"), KYC, Know Your Transaction ("KYT") measures, and utilizes industry benchmark third-party asset custody services in Ebonex to ensure that user assets are secure and meets relevant regulatory and compliance requirements. Our aim is to establish global cryptocurrency exchange platforms, offering services compliant with the laws and regulations of each country and region in which we operate.

Our cryptocurrency exchange business is in the early stages of operation and has only had a short history. However, we believe that with our experience in the blockchain and Fintech industries, as well as continuous research and development, technology enhancements as well as the expansion of our marketing and operation activities, we will further enhance our position in the market and achieve revenue growth in the near future.

### ***Our Cross-Border Payment and Foreign Exchange Business***

In March 2022, we established our cross-border payment and foreign exchange business in Australia, aimed at small to medium business enterprises (“SMEs”) and high net-worth individual clients, through the acquisition of an established specialist cross-border payment company that has been in operations for over 10 years in Australia. The strategic acquisition provides immediate scale, capability, and expertise to facilitate our entry into the global financial markets. Together with our strong internal technological capabilities, we have successfully launched our self-developed proprietary cross-border payment and foreign exchange platform, EbonFX. The cross-border payment and foreign exchange business offers a comprehensive range of cost-effective payment and risk management solutions to businesses looking to manage their currency exposure and streamline their international payments, while satisfying relevant AML/CTF, KYC, and KYT regulatory requirements. Backed by our network of established partnerships with banks and regulated financial institutions globally, EbonFX is an ASIC licensed and AUSTRAC regulated business that enables its customers to transact safely and securely with confidence in multiple currencies and 180 countries across the world.

In essence, EbonFX provides customer-centric foreign exchange, risk management and cross-border payment services. Revenue is generated through spreads against market rates provided by our liquidity provider, as well as premiums derived from option contracts. Our range of solutions includes (but is not limited to) the following:

- **Spot Payments:** A spot transaction is an FX transaction where the value date is two business days after the trade date, or T+2. The spot solution of the EbonFX platform allows our customers to exchange currencies for payments, or hold for future needs.
- **Ability to hold multiple foreign currencies:** Our multi-currency balance capability enables our customers to hold and manage multiple currencies in a single account, making it easier for them to receive, send, and manage their global currency needs and reducing the need for multiple bank accounts.
- **Manage foreign currency risks:** We help manage foreign exchange risks for our wholesale customers through a range of tailored hedging strategies (e.g., forwards and options) to help them manage their foreign currency exposures.
- **Forwards:** Forward exchange contracts provide a way for our wholesale customers to lock in a rate for a period of up to twelve months, in order to hedge against future currency fluctuations. A foreign exchange forward contract is a derivative product where the value date is more than two business days after the trade date.
- **Options:** EbonFX offers wholesale clients foreign exchange option contracts in foreign exchange. These options products are a type of derivatives product which gives the buyer of the contract the right (but not the obligation) to buy or sell a currency at a pre-agreed exchange rate on a predetermined date in the future.

### ***Our Telecommunications Business***

We entered the telecommunications business in 2010. Our communications network devices mainly focus on the access layer, which is the entry point for providing access to the telecommunications network for end users. Our products are broadly grouped under the following product lines, as well as related parts and accessories:

- ***Fiber-Optic Communication Access Devices.*** Our fiber-optic communication access devices are mainly used in telecommunication rooms and data center rooms. We collaborate with operators to provide professional and reliable fiber-optic private network communication services to enterprise clients and data center customers to meet the growing demand for high-density fiber optic interconnection communication networks in urban areas. The main products we offer under our fiber-optic communication access devices product line include multiprotocol label switching (MPLS) fiber-optic access network devices, multi-service access platform (“MSAP”) integrated business access devices and wavelength-division multiplexing (WDM/DCI) fiber-optic devices.
- ***Enterprise Convergent Communication Terminals.*** Our enterprise convergent communication products are mainly used on the enterprise client-side. We collaborate with operators to provide one-stop fiber optic broadband access services to enterprise clients to meet the growing demand of enterprises for internet access and cloud-based office needs. The main products that we offer under our enterprise convergent terminal product line include gigabit passive optical network (GPON), Fiber to the Room (FTTR), passive optical network converged gateway, enterprise cloud gateway devices, Industrial Internet of Things (IoT) access devices and business enterprise smart wireless access devices.

## **Our Customers**

### ***Blockchain Products Business***

Our customer base for sales of our Ebit mining machines comprises both enterprises and individual buyers. We generally do not enter into long term agreements with our mining machine customers. Sales are typically made on one-off sales contract or purchase order bases. Generally, we either require prepayment in full or offer alternate payment plans for customers to prepay a certain percentage with the remainder to be settled after delivery of the products, and we have extended credit sales to certain customers since 2018. Substantially all of the customers of our mining machine hosting services before we halted such services in the PRC were customers who have purchased our mining machines.

### ***Cryptocurrency Exchange Business***

Our target customers mainly trade with us digitally on the platform, as well as through our OTC execution and treasury services with the assistance of our experienced digital assets experts. Users can rely on a secure and easy-to-use platform, allowing seamless deposits and withdrawals from either fiat or cryptocurrency wallets, and a robust trading experience on Ebonex.

We are committed to building a world-leading comprehensive digital asset service platform to meet the asset service needs of cryptocurrency asset users worldwide while complying with relevant laws and regulations. We invest in the growth of financial products and related technology, and conduct thorough research to identify market opportunities and offer bespoke solutions to clients.

### ***Cross-Border Payment and Foreign Exchange Business***

Tapping into the existing client base of our acquired Australian cross-border payment and foreign exchange business and aiming to expand beyond the existing client pool, we are mainly targeting retailers, wholesalers, small businesses, importers and exporters. Most importers and exporters are aware of the effects that fluctuations in exchange rates can have on the profitability of their businesses. Currency movements are also important to individuals such as expatriates and high net worth individuals, and those looking to make international investments. With our global business network, we are continuously looking to serve customers in Australia and beyond. Our strategy is to retain and nurture the existing client base, while at the same time aiming to acquire new customers in the SME segment in a variety of industries including (but not limited to) retailers, wholesalers, manufacturers as well as importers and exporters, which have a business requirement for cross-border payment and foreign exchange services. In addition, we also provide our services to high net-worth individuals that have demands for overseas payments and income.

### ***Telecommunications Business***

Our telecommunications products are mainly sold in China under the brand name “EBANG” through direct sales. Our customer base for our telecommunications products primarily includes major telecommunications service providers in China.

We do not have any long-term or exclusive agreement with our telecommunications product customers. Sales to our enterprises customers are generally made on one-off sales contract or purchase order bases with a credit period of one to nine months. We generally enter into framework agreement with the major telecommunications service providers in China with a credit period up to one year. We typically require payments to be made in installments upon delivery of the products. We encourage our sales representatives to negotiate shorter credit periods to reduce our credit risk.

## Research and Development

We have historically and continue to place strong emphasis on research and development. We consider research and development capability as a crucial factor to our success and our ability to develop innovative and competitive products to meet the technological requirements of customers. As of December 31, 2023, our research and development team comprised of 130 employees, or approximately 42.9% of our total number of employees. Our research and development expenses were US\$7.4 million in 2023.

Our research and development team is overseen by our Chairman, CEO and CFO, Mr. Hu. Within our research and development team, we have a specialized ASIC chip design team focused on designing ASIC chips for the development of cutting-edge mining machine products and for other blockchain research and development projects that utilize ASIC chips. The other members of our research and development team focus on non-ASIC aspects of mining machine products, telecommunications products and new applications for blockchain technology.

Our organization demonstrates strong research and development capabilities in the Fintech sector, with a focus on cryptocurrency and cross-border payment. Our highly skilled research and development team excels in monitoring and assessing user needs, market trends, and industry advancements, guiding the direction of our projects and product roadmaps while identifying growth opportunities and potential challenges in the rapidly evolving Fintech landscape. Furthermore, our expert team of market analysts in the cross-border payment domain employs a comprehensive research approach, merging valuable market intelligence with thorough analysis, ensuring our clients have access to first-rate information and well-informed investment decisions.

## Production

### *Our Fabless Model*

We do not directly manufacture ICs used for our products. Instead, we utilize what is known as a fabless model, whereby we conduct front-end and back-end designs of our IC chips, which are then manufactured, packaged and tested by world-class wafer foundry and OSAT partners with whom we engage. Under the fabless model, we are able to leverage the expertise of industry leaders that are certified by the ISO in such areas as fabrication, assembly, quality control and assurance, reliability and testing. In addition, the fabless model allows us to avoid many of the significant costs and risks associated with owning and operating various fabrication and packaging and testing facilities. Our fabrication partner is responsible for procurement of the majority of the raw materials used in the production of our ICs. As a result, we can focus our resources on research and development, product design and additional quality assurances.

### *Wafer Fabrication*

We primarily work with an IC fabrication partner to ascertain its production resources that can be allocated to us before we place an order according to our business need. After we place our orders, and once they are accepted, we are required to prepay in full in order to secure production capacity. Subject to sufficient production capacity, wafers are delivered in approximately four months from the time we place our order; however, actual delivery time that is subject to the different ASIC chips used in such IC fabrication.

We principally purchased wafers for our ASIC chips from Samsung, and also began to work with TSMC in 2017 on the development of a new ASIC chip. Further, we have established a relationship and are in discussions with two other major wafer foundries in order to diversify our supplier sources and to gain access to additional capacity for future ASIC chips. We will seek to procure wafers from either or both of these two wafer foundries in the event that our current suppliers are unable to accept or fulfil our purchase orders or otherwise continue supply us with wafers. While we continue to seek opportunities to improve our supply chain, we face concentration risks, as we currently depend on two suppliers for our wafers. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses—we rely on a limited number of third parties to fabricate our ASIC chips, which are the core technology used in our mining machines.”

### *Packaging and Testing*

After the wafers are manufactured, they are shipped to an OSAT company for packaging into IC chips, which are then tested to ensure the required quality assurance procedures are all met. Properly tested IC chips are then delivered to our production facilities for mounting and assembly.

We procure IC packaging and testing services from leading OSAT companies, including STATS ChipPAC. In 2018, in order to keep up with our increasing production demand, we began working with Powertech Technology Inc. (“PTI”). STATS ChipPAC is controlled by Jiangsu Changjiang Electronics Technology Co., Ltd. and its various subsidiaries, which along with PTI are among the largest OSAT companies in the world.

### *Assembly Plant*

We have in-house capabilities to produce our blockchain and telecommunications products at our production facilities. These include PCB assembly to create the mounted circuit boards once the IC chips have been manufactured, and general assembly to integrate the circuit boards with other components and parts for assembling the final products.

We procure certain raw materials, components and parts, such as electronic components, metal cases, cables, antennae and packaging materials, which are used by us for the assembly of PCBs and our final products. We typically maintain three or four different suppliers for most of our raw materials, components and parts. We generally place purchase orders with our suppliers based on our estimated purchase orders and production schedule. The lead time for procurement was generally one to four months prior to the global outbreak of COVID-19; however, since such pandemic, we have experienced raw material shortages and shipment delays from our suppliers. We are typically required to pay our suppliers before or upon delivery of the raw materials, components and parts. We closely monitor the quality of all raw materials provided by our suppliers to ensure that all raw materials comply with the stringent requirements of our customers. For more information, see “Item 4. Information on the Company—B. Business Overview—Quality Control.”

We outsource some of our production to third-party subcontractors in order to meet additional capacity needs. We currently maintain a working relationship with approximately four to five third-party subcontractors for PCB and general system assembly. The terms of our subcontracting arrangement are set out in individual written work orders, and the amount of work outsourced is determined on an as-needed basis. To maintain our product standards, we institute strict quality control measures with our third-party subcontractors. These measures include requiring product testing at various stages of production and utilizing our proprietary software to record and report the quality testing results.

### ***Production Facilities***

We operate one production facility in Hangzhou, Zhejiang, which houses three surface mount technology (“SMT”) production lines and three general assembly lines as of December 31, 2023.

SMT production lines are responsible for PCB assembly, which is a key process for both our mining machine and telecommunications products. The maximum output volume of our in-house production facilities is largely dictated by the production capacity of our SMT production lines in Hangzhou. The average utilization rate of our SMT production lines was 34.7%, 26.5% and 9.1% for 2021, 2022 and 2023, respectively.

## Quality Control

We place great emphasis on the importance of quality control in every aspect of our business. We produce our products in accordance with our strict quality control system and quality standards. We obtained all the material quality control certifications in the PRC for our products or production facilities. From sourcing of raw materials, production, delivery and installation, each stage of the production process is subject to our quality control procedures for both in-house production and outsourced third-party production.

We have implemented various quality-control checks into our production process and the IC fabrication process by our production partners. In addition, we provide timely and effective after-sales services and support to our users. We have quality control personnel based at each of our production facilities. They are part of our production department and are led by our quality control supervisor. The quality control team is primarily responsible for monitoring the quality of procurement raw materials, production process and finished products and supervising the product testing. We have our own on-site quality control staff to inspect each stage of the production process. The quality control staff inspects semi-finished products at various stages of the production process to ensure their compliance with our internal quality control standards and measures. This helps us detect defects during the production process and take steps to rectify those defects, where appropriate. For outsourced production, we require that all third-party contractors utilize a software system we provide to track, test and record each product made for us using unique identifying barcodes on the products so that we can review the testing results of their products. Our third-party contractors also agree to allow us to conduct sample testing of their products and random spot checks of their facilities. We require final testing on the products before their delivery to our customers to ensure the products meet the specifications and requirements of its customers.

## After-Sales Services and Warranties

We provide installation services of communication network devices to our customers depending upon the products purchased and the type of customer. Our mining machines are configured by the end-users using our instruction manual.

For our mining machines, we provide a six-month warranty for the overall machine and a one-year warranty for the power supplies. During the warranty period, we provide maintenance and after-sale services, which include technical support, equipment repair and maintenance. In connection with warranty service, the customer will courier the hardware to us, and we will ship the machine back to the customer once repairs are completed. Our service hotline is available seven days a week between 8:30 a.m. to 10:30 p.m. and we offer on-site maintenance services as needed.

For our telecommunications products, we typically provide a 12 to 36-month warranty depending on the type of customer and product. During the warranty period, we provide maintenance and after-sale services, which include technical support, system and network testing, equipment repair and maintenance. Our service hotline is available seven days a week between 8:30 a.m. to 11:00 p.m. and we offer on-site maintenance services as needed.

## Sales and Marketing

Historically, the marketing of our blockchain and Fintech products was done through word of mouth, press releases of our product launches and exhibitions when we launch a new product. Certain of our available products are also advertised on our website which is updated periodically. From time to time, we maintain a presence on social media in order to raise awareness of our brand.

For our telecommunications products, we obtain supplier contracts through bidding processes held by the major telecommunications service providers in China, in order to become an approved supplier. We set up sales offices in the provinces with large distribution scale according to the winning bids. Our sales offices also serve the surrounding provinces to form an effective sales network.

## Competition

Our company operates in multiple vertical business areas, including ICs, mining machine production, and Fintech, which encompasses both cryptocurrency and cross-border payment sectors. The competitive landscape in each of these verticals is characterized by various challenges and opportunities.

In the vertical IC field, we face competition from both more mature companies and new entrants. Some of these competitors may possess advantages such as stronger brand recognition, greater access to capital, longer industry tenure, more established relationships with suppliers or customers, and more extensive resources. Our competitive strategy in this domain focuses on continuous innovation, cutting-edge technology, and high-quality products.

In the vertical field of mining machine production, we primarily compete with other leading manufacturers, as well as any potential new entrants capable of overcoming the significant barriers to entry, particularly in technology and access to wafer foundry capacity. Our approach to competition in this sector emphasizes on technology and service quality, ensuring our products remain at the forefront of the market.

In the vertical field of Fintech, including cryptocurrency and cross-border payment, a diversified and dynamic competitive landscape has emerged since the late 2000s. We face competition from numerous well-known participants, ranging from large, established financial incumbents to smaller early-stage Fintech providers and companies native to the crypto economy, such as decentralized exchanges. In the cross-border payment business, we encounter competition from various entities, including traditional banks, payment processing companies, and Fintech startups that offer diverse payment solutions and services for seamless cross-border transactions and international payment processing. Despite this competitive landscape, our strengths in innovation, technology, and adaptability have positioned us as a formidable player in this field.

We anticipate that the intensity of competition across all verticals will persist, driven by rapid technological advancements and the emergence of new market entrants. By maintaining a focus on innovation, research and development, and strategic partnerships, we aim to navigate the dynamic competitive landscapes in the integrated circuits, mining machine production, and Fintech industries. Our ability to adapt and commitment to delivering high-quality technology and services will be crucial in differentiating ourselves from competitors and ensuring sustainable growth across all our business verticals.

## **Intellectual Property**

We rely on a combination of copyright, trademark, patent and other proprietary technology and contractual restrictions on disclosure to protect our intellectual property rights. We enter into relevant confidentiality agreements or provisions with our employees and certain customers and suppliers and rely on such confidentiality agreements or provisions and other protection of our technical know-how to maintain our technical advantages in our products and design.

As of the date of this annual report, we have registered 67 patents, 10 IC layout designs and 68 software copyrights, with an additional 42 patent applications in the PRC and overseas pending.

On November 27, 2020, we obtained an exclusive license of a key patent in the Bitcoin mining industry, which license granted us with the exclusive right to use the patent in South Korea and export the product from South Korea to other countries. On January 1, 2022, we obtained another license which granted us with the right to use the patent in the United States and export the product from the United States to other countries. The core of this patent is AsicBoost, a method that can increase performance of Bitcoin mining by about 20%. The performance gain is achieved through a high-level optimization of the Bitcoin mining algorithm which allows for drastic reduction in gate count on the mining chip.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. Monitoring unauthorized use of our technology is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

Through the use of licensing arrangements, we utilize various technologies, software and other intellectual property that were developed by third parties. During the course of product design and manufacturing, we incorporate certain third-party technologies or implement technical or commercial standards, practices or intellectual property which require licenses from wafer foundries. These licenses allow us to use or access the wafer foundries' technologies and intellectual property rights in connection with the making of photomask for our ASIC chips. We have also purchased licenses for various design software from third parties to conduct our IC chip design. These license grants were usually perpetual and irrevocable on a project-by-project basis. Third parties may initiate litigation against us alleging infringement of their proprietary rights or breach of a licensing agreement or declaring their non-infringement of our intellectual property rights. If third parties prevail on such claims, and if we fail to develop non-infringing technology or license the infringed or similar technology or cure the breach on a timely basis, our business could be harmed. Moreover, even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations.

See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Business—Our intellectual property rights are valuable, and any inability to protect them could adversely impact our business, operating results, and financial condition" and "Item 3. Key Information—D. Risk Factors—Risks Relating to General Risks—Third parties have claimed and may, from time to time, assert or claim that we infringed their intellectual property rights and any failure to protect our intellectual property rights could have a material adverse impact on our business."

## **Insurance**

Besides the PRC government-mandated social insurance and housing provident fund schemes and motor vehicle insurance, in Singapore, we maintain insurance to cover public liability (including all risk on content and others) and group insurance to cover employees' benefits (including term life, personal accident, hospitalization, outpatient dental and clinical charges); in Australia, we maintain professional indemnity insurance, products liability insurance, public liability insurance and directors and officers liability insurance. Subject to the foregoing paragraph, we do not carry any business interruption insurance in relation to our operations.

We are also committed to ensuring that we comply with legally mandated insurances in the jurisdictions in which we operate. We believe that our insurance coverage is adequate and is in line with industry practice.

## **Environmental Matters**

We have received GB/T 24001-2016/ISO 14001:2015 environmental management system certification, which is valid until September 11, 2024 and subject to renewal. Due to the nature of our business, our operational activities do not directly generate industrial pollutants, and we did not incur significant cost for compliance with applicable environmental protection laws and regulations in 2021, 2022 and 2023.

## **Legal Proceedings**

We may from time to time be subject to various legal, arbitration or administrative proceedings arising in the ordinary course of business, such as proceedings in respect of disputes with suppliers or customers and labor disputes. As of the date of this annual report, we are party to the following legal, arbitration or administrative proceedings, regulatory inquiries or investigations made or pending that we believe are material to our business and results:

On November 19, 2019, we filed a civil action in the High Court of the Hong Kong Special Administrative Region, Court of First Instance against a then-major supplier, alleging breach of contract for delivering defective products and seeking damages in the sum of approximately US\$25 million plus interest and costs. As of the date of this annual report, the case is still under review by the court.

## **REGULATION**

### **Regulatory Overview of the PRC**

We are engaged in the research and development, production and sales of blockchain and telecommunications products in the PRC. The following sets forth a summary, which does not purport to be complete, of the relevant PRC regulatory authorities and PRC laws, regulations and government policies that are applicable to our business operations in the PRC.

#### ***Competent Regulatory Authorities***

The Ministry of Industry and Information Technology of the PRC, or the MIIT, and its departments are in charge of the industrial and information technology sectors at the national level. The MIIT formulates and directs the implementation of industrial sector planning, industrial policies and standards; monitors the daily operations of industrial sector; promotes the development and independent innovation of major technical equipment; manages the communications industry, guiding and advancing the construction of information technology infrastructures; and coordinates the safeguarding of national information technology security, while in charging of the approval of network access licenses (including trial), telecommunications business operation licenses, specifications and standards for organizational implementation software and system integration services, and radio transmission equipment type approval certificates. The local Commissions of Economy and Information Technology are the competent authorities in charge of the industrial and information technology sectors at the local level.

The General Administration of Quality Supervision, Inspection and Quarantine of the PRC is in charge of mandatory product certification activities, and the Certification and Accreditation Administration of the PRC, or the CNCA, is in charge of the organization, implementation, supervision, management and overall coordination of mandatory product certification activities at the national level. The local Quality and Technology Supervision Bureaus and various Entry and Exit Inspection and Quarantine Offices are responsible for the supervision, management and enforcement of mandatory product certification activities in their relevant local areas.

The National Copyright Administration of the PRC is in charge of the management of software copyright registration. The Copyright Protection Center of China and its local software registration offices are responsible for software registration.

The MOFCOM and its local bureaus are responsible for supervising and managing the establishment of overseas companies for foreign investment.

The NDRC and its local bureaus are responsible for providing macro guidance, comprehensive services and overall supervision over outbound investments.

The General Administration of Customs of the PRC, or the PRC Customs, and its local bureaus are responsible for the supervision of import and export trade, registration of customs declaration enterprises, approvals of bonded premises, and other relevant matters.

SAFE and its local bureaus are responsible for the supervision and management of foreign exchange receipts and payments or foreign exchange operational activities carried out by PRC institutions and individuals, and foreign exchange receipts and payments or foreign exchange operational activities carried out in the PRC by foreign institutions and individuals.

The State Administration of Work Safety and its local bureaus are responsible for the supervision and management of work safety activities.

The Ministry of Ecology and Environment of the PRC and its local bureaus are responsible for the management of environmental protection activities, while the local bureaus also supervise and manage the protection of resources, prevention of pollution and other matters on environmental protection in the local areas.

The China Semiconductor Industry Association is a national industrial and non-profit social organization, consisting of entities, experts and other related enterprises and institutions engaged in the manufacturing, design, scientific research, development, operation, application and education of integrated circuits, semiconductor discrete devices, semiconductor materials and equipment.

### ***Regulations and Government Policies Relating to the IC and Blockchain Industries***

Pursuant to the Circular on Prevention of Risks Associated with Bitcoin, or the Circular, jointly promulgated by the People's Bank Of China, or the PBOC, the MIIT, the China Banking Regulatory Commission, the CSRC and the China Insurance Regulatory Commission on December 3, 2013, Bitcoin shall be considered a kind of virtual commodity in nature, which does not have the same legal status with fiat currencies and shall not be used and circulated in the market as currency. This circular also provides that financial institutions and payment institutions shall not engage in businesses related to Bitcoin.

Pursuant to the Announcement on Prevention of Risks from Offering and Financing of Cryptocurrencies promulgated by seven PRC governmental authorities including the PBOC on September 4, 2017, illegal activities in offering and financing of cryptocurrencies, including initial coin offerings (ICOs), are forbidden in the PRC because such activities may be considered to constitute illegal offering of securities or illegal fundraising. This announcement further provides that financial institutions and payment institutions shall not engage in businesses related to cryptocurrency offering or financing transactions.

There is no prohibition under PRC laws and regulations currently in effect on the possession of Bitcoin by PRC citizens and organizations.

Purchase and running of computing hardware by PRC citizens or organizations for the purpose of Bitcoin mining in China do not violate any PRC laws and regulations currently in effect. PRC citizens and organizations are not prohibited from engaging in Bitcoin mining activities in China. Design, production, sale (including both wholesale and retail) of computing hardware used for Bitcoin mining, including blockchain processing units ("BPUs"), in China, or sale (including both wholesale and retail) or export of such computing hardware from China, do not violate any provisions of any PRC laws and regulations currently in effect, provided that such activities shall comply with the general regulatory rules in relation to the administration of industry and commerce registration, taxation, fire control and environmental protection and the relevant policies and requirements imposed by any PRC governmental authorities.

As demonstrated by the Circular of the State Council on Printing and Distributing Policies for Encouraging the Development of the Software and IC Industries issued on June 24, 2000, the PRC continues to enact policies encouraging new and advanced technology and supporting the software and IC industries.

On January 28, 2011, the State Council issued the Circular of the State Council on Printing and Distributing Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry, or the Circular, which aims to formulate a series of policies for the purposes of further optimizing development environment for the software industry and integrated circuit industry, increasing the quality and the level of industry development and cultivating a number of influential and strong leading enterprises in these industries. The Circular addresses topics including fiscal tax policies, investment and financing policies, research and development policies, import and export policies, talent policies, intellectual property policies and market policies.

On June 24, 2014, the State Council issued the Outline for Promoting the Development of the National Integrated Circuit Industry, which highlights that great efforts shall be put on the development of the IC design industry. By focusing on the industrial chain of key areas and strengthening IC design, software development, system integration, collaborative innovation in contents and services, the goal is to drive the development of the manufacturing industry through the rapid growth of the design industry.

On June 8, 2015, the NDRC issued the Notice on Implementing Major Engineering Packages in Emerging Industries. The Notice highlights the efforts in developing IC construction infrastructures, focusing on enhancing the level of advanced technology, design industry concentration ratio and industrial chain supporting ability, selecting areas with more mature technology, good industrial base and wide application potential, and accelerating the industrialization of high performance IC products.

On May 4, 2016, the Ministry of Finance of the PRC, the SAT, NDRC and the MIIT, jointly released the Notice on Enterprise Income Tax Preferential Policies for Software and IC Enterprises. This Notice specifically stipulates the preferential policies on EIT related to IC manufacturing enterprises, IC design enterprises, software enterprises, key software enterprises within the national planning layout and IC design enterprises.

On December 15, 2016, the State Council issued the Notice of the 13th Five-Year Plan for National Informatization. This notice highlights the need to strengthen the layout of strategic innovative technologies, including blockchain technology, as well as others such as enhanced quantum communications, future networks, brain-like computing, artificial intelligence, holographic display, virtual display, big data cognitive analysis, new nonvolatile storage, driverless vehicles and gene editing.

On July 8, 2017, the State Council issued the Notice on Issuing New Generation AI Development Plan. This notice points out that advancing the integration of blockchain technology and artificial intelligence and establishing a new social credit system will significantly minimize the cost and risk of interpersonal communications.

In August 2017, the State Council issued the Guidance on Further Expanding and Upgrading Information Consumption Potential for Sustained Release of Domestic Demand, which highlights and encourages the use of open source code to develop personalized software and the launch of trial applications using new technologies such as blockchain and artificial intelligence.

In October 2017, the General Office of the State Council issued the Guiding Opinions on Actively Promoting Supply Chain Innovation and Application, which highlights and promotes the research of using emerging technologies such as blockchain and artificial intelligence to establish a credit evaluation mechanism based on supply chain.

In November 2017, the State Council issued the Guiding Opinions on Deepening Internet + Advanced Manufacturing Industry to Develop Industrial Internet which promotes the research and exploration of applications of emerging technologies in industrial Internet, such as edge computing, artificial intelligence, augmented reality, virtual reality, and blockchain technology.

On May 21, 2021, the Financial Stability and Development Committee of the State Council in China proposed to “crack down on Bitcoin mining and trading.” However, it was not until September 15, 2021, as described below, that all digital asset transactions were banned in China.

In May 2021, local governments began to issue corresponding measures in succession to respond to the central government, including Xinjiang Changji Hui Autonomous Prefecture Development and Reform Commission issuing a notice on the immediate shutdown of enterprises engaged in cryptocurrency mining on June 9, 2021.

On June 18, 2021, according to the public media report — Sichuan Provincial Development and Reform Commission and Sichuan Energy Bureau issued a notice on the shutdown of cryptocurrency mining projects with the deadline of June 25, 2021. On September 3, 2021, the newly issued Notification of Overhauling the Mining Activity of Cryptocurrency (or the Notification No. 1283) banned all new cryptocurrency operations in China and set forth penalties on a going forward basis for all of the PRC.

Pursuant to the Circular on Further Preventing and Disposing of Risks in Virtual Currency Trading and Speculation (Yin Fa [2021] No.237) promulgated by ten PRC governmental authorities including the PBOC on September 15, 2021, virtual currency-related business activities in China and the provision of services by an overseas virtual currency exchange to a Chinese resident via the Internet will be considered as illegal financial activities.

#### ***Laws and Regulations Relating to Industry Qualifications***

Pursuant to the Telecommunications Regulations of the PRC issued on September 25, 2000 and last amended on February 6, 2016 and the Administrative Measures for the Network Access of Telecommunications Equipment issued on May 10, 2001 and last amended on January 18, 2024, the State implements a network access system that covers telecommunications terminal equipment, wireless communications equipment and network interconnection equipment connected to public telecommunications networks. A network access license issued by the MIIT shall be obtained for telecommunications equipment implementing network access. Without a network access license, such equipment is not allowed to be connected to a public telecommunications network for use nor to be sold domestically.

Pursuant to the Regulations on Administration of Mandatory Product Certification issued on July 3, 2009 and last amended on September 29, 2022, producers, sellers or importers of products included in the product catalog shall entrust a certification agency designated by the CNCA to certify the products produced, sold or imported thereby.

Pursuant to the Regulations of the PRC for the Administration of Radio Operation promulgated on September 11, 1993, last amended on November 11, 2016 and effected on December 1, 2016, in addition to micro-power short-range radio transmitting equipment, any other radio transmitting equipment that is manufactured or imported for sale or use domestically shall apply to the state authority in charge of radio regulation for approval.

#### ***Laws and Regulations Relating to Work Safety***

The Work Safety Law of the PRC, issued on June 29, 2002, last amended on June 10, 2021, and effective September 1, 2021, provides that production and operation entity must comply with the Work Safety Law and other laws and regulations related to work safety, strengthen work safety management, establish and improve a work safety responsibility system and work safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in work safety, improve work safety conditions, strengthen standardization and informatization of work safety, construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise work safety levels, and ensure work safety. Production and business operation entities shall have the conditions for work safety as specified in this law and relevant laws, regulations, national standards or industrial specifications. Production and business operation entities that do not have such conditions are not allowed to engage in production or operation activities. Breach of the Work Safety Law of the PRC will incur various penalties, according to the specific circumstances.

### ***Laws and Regulations Relating to Product Quality***

Pursuant to the Product Quality Law of the PRC (2018 Version), issued and promulgated on February 22, 1993, last amended on and effective December 29, 2018, producers shall be responsible for the quality of their products. Product quality shall satisfy the following requirements: no unreasonable danger to personal safety and the safety of property shall exist; where there are national or industry standards for protection of health, personal safety and the safety of property, such standards shall be complied with. If the products of a producer or seller do not comply with the national or industry standards for protection of health or personal safety or the safety of property, orders shall be issued to cease their production or sale and products that have been illegally produced or sold shall be confiscated. A fine shall be imposed equal to an amount greater than the value of the products that have been illegally produced or sold (hereafter including products already sold and goods not yet sold) but less than three times the value of the products; where there is illegal income, the illegal income shall be confiscated; where the circumstances are serious, the business license shall be revoked; where the case constitutes a crime, criminal liability shall be pursued in accordance with law. If a producer or a seller is found to mix impurities or imitations into products, or to pass fake goods off as genuine ones or shoddy products as good ones or sub-standard products as standard ones, such producer or seller shall be ordered to stop production or selling; the products illegally produced or sold shall be confiscated and a fine not less than 50% of but not more than three times the value of the products illegally produced or sold shall be imposed concurrently; if there are illegal proceeds, such proceeds shall be confiscated concurrently; if the circumstances are serious, the business license shall be revoked; if the case constitutes a crime, criminal liability shall be investigated in accordance with the law.

Pursuant to the PRC Regulations on Administration of Radio Operation, issued on September 11, 1993, last amended on November 11, 2016 and effective December 1, 2016, the manufacture or import of radio transmission devices that are required to obtain approval must meet the provisions of the relevant laws, national standards and relevant regulations of the state authority in charge of radio regulation and comply with the technical standards regarding approved radio transmission devices. The approval number shall be labeled on the devices. The competent authorities for radio regulation may order anyone who violates this regulation by manufacturing or importing radio transmission devices to be sold or used domestically without obtaining the requisite approval to rectify and may impose a fine between RMB50,000 and RMB200,000; for those refusing to rectify, authorities may confiscate the radio transmission devices that have not obtained approval and impose a fine between RMB200,000 and RMB1,000,000.

Pursuant to the Regulation of Telecommunications of the PRC (2016 Version) (issued and effective on February 6, 2016), anyone who violates the provisions of this regulation in lowering product quality or performance after obtaining the telecommunications equipment network access license shall be subject to punishment by the product quality supervision authorities pursuant to the provisions of the relevant laws and administrative regulations.

### ***Laws and Regulations Relating to Industry Standards***

The Measures on Administration of Information System Integration and Service Qualification Identification (Interim) is the industrial regulation as recognized by the China Information Technology Industry Federation, targeting information systems integration and service qualification identification. In particular, information system integration qualification is the objective evaluation standard for enterprises engaged in information systems integration and service comprehensive ability and level. According to the Notice on the Management of Computer Information System Integration Industry issued by the MIIT on December 29, 2018 and became effective on the same day, information system integration qualification was expressly cancelled by the State Council in 2014.

The Technical Requirements for Access Network Multi-service Access Platform, or MSAP, is a communications industrial standard on access network multi-service access platform, stipulating MSAP system's requirements in network location and function model. In addition, the Safety of Information Technology Equipment (Part 1) and the Radio Disturbance Limits and Measurement Methods for Information Technology Equipment is the national standard of information technology equipment.

The Technical Requirements and Test Methods of Lightning Resistibility for Telecommunications Terminal Equipment is the industry standard for telecommunications equipment.

### ***Laws and Regulations Relating to Other Business Areas***

#### *Trade*

Pursuant to the Foreign Trade Law of the PRC, issued on May 12, 1994, last amended on and effective December 30, 2022, foreign trade operators engaged in import or export of goods or technologies shall file records with the foreign trade department of the State Council or its authorized agencies, unless otherwise stipulated by the laws, administrative regulations or the foreign trade department of the State Council. Specific measures for record filing shall be stipulated by the foreign trade department of the State Council. PRC Customs shall not process import and export declaration and clearance formalities for foreign trade operators who have not filed records in accordance with the provisions.

#### *Foreign Exchange*

Pursuant to the Regulation on Administration of Foreign Exchange of the PRC promulgated by the State Council on January 29, 1996 and last amended on and effective August 5, 2008, other regulations issued by SAFE and other relevant government authorities, Renminbi is freely convertible into other currencies for current account items such as trade related receipts and payments, interest payments and dividends; as for capital account items such as direct investment, loans and portfolio investment, the prior approval of SAFE is required to convert Renminbi into other currencies and transfer the converted currencies out of the PRC. Transactions in the PRC are subject to payment in Renminbi. Pursuant to relevant regulations and laws, after a domestic company gets listed overseas, if any of its domestic shareholders intends to increase or decrease overseas shares, the domestic shareholder shall handle overseas shareholding registration formalities with the local foreign exchange authority within twenty working days prior to the intended share increase or decrease.

Pursuant to the Notice on Administration of Foreign Exchange Involved in Offshore Investment, Financing and Round-Trip Investment Conducted by Domestic Residents Through Special Purpose Vehicles, which was promulgated by SAFE and went into effect on July 4, 2014, prior to making capital contribution in a special purpose vehicle by a PRC resident using its legitimate assets or interests in the PRC or overseas, the PRC resident shall apply to the foreign exchange bureau for completion of foreign exchange registration formalities for overseas investments. A “domestic entity” referred to in this notice shall mean enterprise and institutional legal persons and any other economic organizations established in the PRC pursuant to the law; a “PRC resident individual” shall mean a PRC citizen holding a PRC resident identity document, military personnel identity document or armed police personnel identity document, and any foreign individual who does not hold a PRC identity document but normally resides in the PRC due to economic reasons.

Pursuant to the Notice on Further Simplification and Improvement of Foreign Exchange Administration Policies for Direct Investment, promulgated by SAFE on February 13, 2015 and effective June 1, 2015, two administrative approval matters, including foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, shall be reviewed and processed directly by banks. SAFE and its local bureaus shall implement indirect supervision through the foreign exchange registration with banks for direct investment.

Pursuant to the Notice of SAFE on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign-Funded Investment Enterprises promulgated on March 30, 2015 and effective June 1, 2015, and the Notice of SAFE on Reforming and Regulating the Policies for Administration of Foreign Exchange Settlement under the Capital Account promulgated on and effective June 9, 2016, the system of voluntary foreign exchange settlement is implemented for the foreign exchange earnings of foreign exchange capital of foreign-invested enterprises. Foreign exchange capital in a foreign-invested enterprise capital account, for which the monetary contribution has been confirmed by SAFE (or for which the monetary contribution has been registered for account entry), may be settled at a bank as required by the actual management needs of the enterprise. The voluntary settlement ratio of foreign-invested enterprise foreign exchange capital projects has been temporarily set at 100%. SAFE may make adjustments to the said ratio at appropriate times based on the status of the international balance of payments. In addition, foreign exchange earnings under capital projects and the Renminbi funds obtained from the exchange settlements thereof shall not be used by foreign-invested enterprises for the following purposes: (1) direct or indirect payments of expenditures exceeding its business scope or those being prohibited by the laws and regulations of the PRC; (2) direct or indirect uses in securities investments or investments other than capital-protected banking products (except as otherwise expressly provided); (3) issuance of loans to non-affiliated enterprises (excluding those that are expressly permitted within their business scope); and (4) construction or purchase of real estate not for personal use (except for real estate enterprises).

Pursuant to the Notice by the State Administration of Foreign Exchange of Further Deepening Reform and Promoting Cross-border Trade and Investment Facilitation promulgated on and effective December 4, 2023, the capital funds and foreign exchange receipts under the account of foreign debts of a non-financial enterprise and RMB funds obtained from foreign exchange settlement thereof shall be used under the principles of veracity and self-use, and shall not be directly or indirectly used for expenditures prohibited by any law or regulation of the state; unless otherwise expressly prescribed, shall not be directly or indirectly used for investment in securities or other wealth management investment (except for wealth management products with risk ratings of not higher than Grade II and structured deposits); shall not be used for granting loans to non-affiliated enterprises (except that it is explicitly permitted in the business scope or in four regions, namely Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone, Guangzhou Nansha New Area of the China (Guangdong) Pilot Free Trade Zone, Yangpu Economic Development Zone of the China (Hainan) Pilot Free Trade Zone, and Beilun District of Ningbo City, Zhejiang Province); and shall not be used to purchase residential properties that are not for self-use (except for enterprises engaged in real estate development or lease).

### ***Foreign Investment***

In March 2019, the Standing Committee of the National People's Congress of the PRC passed the Foreign Investment Law of the People's Republic of China, or the Foreign Investment Law. Among other things, the Foreign Investment Law defines the "foreign investment" as the investment activities in China conducted by foreign individuals, enterprises and other organizations, or the Foreign Investors, in a direct or indirect manner. The PRC governmental authorities will administrate foreign investment by applying the principal of pre-entry national treatment together with a negative list, to be specific, the Foreign Investors are prohibited from making any investments in the fields catalogued into prohibited industries for foreign investment based on the negative list, while they are allowed to make investments in the restricted industries provided that all the requirements and conditions as set forth in the negative list have been satisfied; when the Foreign Investors make investments in the fields other than those included in the negative list, the national treatment principle shall apply.

Pursuant to the Special Administrative Measures for Foreign Investment Access (2021 Edition), or the 2021 Edition Negative List, issued by the MOFCOM and the NDRC on December 27, 2021 which came into effect on January 1, 2022, our business does not fall into the negative list and is permitted for foreign investment. However, the 2021 Edition Negative List regulates that "Fields not mentioned in the Negative List for Foreign Investment Access shall be subject to administration under the principle of consistency for domestic and foreign investments. The relevant provisions of the Negative List for Market Access shall apply to domestic and foreign investors on a unified basis."

In addition, based on the Negative List for Market Access (2022), "the Catalogue for Guidance on Industrial Restructuring shall be included in the Negative List for Market Access"; plus, according to the Decision of the State Council on Promulgating and Implementing the "Temporary Provisions on Promoting Industrial Structure Adjustment," valid from December 2, 2005, "In principle, the 'Guidance Catalogue for the Industrial Structure Adjustment' shall apply to various types of enterprises inside China." "The industries of the eliminated category under the 'Guidance Catalogue for the Industrial Structure Adjustment' shall apply to the foreign investment enterprises." And "Investments are prohibited from being contributed to projects under the eliminated category." What's more, the NDRC released on December 30, 2021 its No. 49 Decree, announcing that the Decision of the National Development and Reform Commission on Amending the Guiding Catalog for Industrial Restructuring (2019 Version) (the "Amended Catalog"). The Amended Catalog added 'virtual currency mining activities' to the eliminated category of '1. Outdated production processing and equipment 'under the original Catalog.'. Therefore, the foreign investment enterprises are prohibited from virtual currency activities and our Bitcoin mining business are banned in China as well.

### *Outbound Investment*

Pursuant to the Measures for Administration of Overseas Investment of Enterprises promulgated by the NDRC on December 26, 2017 and effective March 1, 2018, investors shall perform procedures such as overseas investment project approval and filing, report relevant information, and cooperate in supervision and inspections when they conduct overseas investments. Projects subject to approval by the NDRC are sensitive projects developed by investors, either directly or through their control of overseas enterprises. Projects subject to filing are non-sensitive projects directly developed by investors, in which the investors directly invest assets or equities, or provide financing or guarantees.

Pursuant to the Measures for Administration of Overseas Investment Management promulgated on September 6, 2014 and effective October 6, 2014, filing and approval are managed by the MOFCOM and its provincial bureaus in light of the different circumstances of overseas investments of enterprises. Approval is required for enterprises conducting overseas investments involving sensitive countries and regions or sensitive industries. Filing will be administered for enterprises conducting overseas investments in other circumstances.

### ***Laws and Regulations Relating to Environmental Protection***

Pursuant to the Environmental Protection Law of the PRC issued on December 26, 1989, amended on April 24, 2014 and effective January 1, 2015, entities that cause environmental pollution and other public nuisances shall adopt effective measures to prevent the pollution of and hazards caused to the environment. Construction projects shall be equipped with constructional environmental protection facilities, which must be simultaneously designed, built and put into operation with the main part of the construction. Enterprises discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent environmental protection authority under the State Council. The competent environmental protection authority shall record unlawful environmental acts of enterprises in the social credit file, and disclose information in a timely manner. Enterprises and other producers and operators unlawfully discharging pollutants shall be fined and ordered to take corrective measures. For those refusing to make corrections, the competent authority may, starting from the day after the date of ordering correction, continuously impose daily fines based on the sum of the original fine. Enterprises and other producers and operators, which discharge pollutants exceeding the pollutant discharge standard or key pollutant gross discharge control thresholds, may be ordered by the competent environmental protection authority above the provincial level to take measures such as restricting production, suspending production and rectification. Serious cases may be reported to and approved by the competent government authority, resulting in orders of suspension or shutdown of operations.

Pursuant to the Environmental Impact Assessment Law of the PRC issued on October 28, 2002, amended on and effective December 29, 2018, the PRC government implemented an environmental impact evaluation system, which classifies and manages the environmental impact evaluation of construction projects based on the degree of environmental impact caused by construction projects.

Pursuant to the Administrative Regulations on Environmental Protection in Construction Projects promulgated on November 11, 1998 and amended on July 16, 2017, construction projects are classified and environmental impact reports, environmental impact statements or environmental impact registration forms shall be compiled based on the extent of environmental impact of construction projects. For a construction project for which an environmental impact report or environmental impact statement is prepared, its matching environmental protection facilities may go into production or be delivered for use only after they pass the acceptance check; and they may not go into production or be delivered for use if no acceptance check is made for them or they fail to pass the acceptance check. Where a construction project goes into production or is delivered for use without the completion of construction of matching environmental protection facilities required for the construction project, without going through acceptance checks or without passing the acceptance checks in violation of the provisions hereof, or fraud is committed in the acceptance check of the environmental protection facilities, the competent administrative department of environmental protection at or above the county level shall order the construction unit to effect rectification within a specified time limit and impose a fine of more than RMB 200,000 but less than RMB 1 million against it; if it fails to effect rectification within the time limit, a fine of more than RMB 1 million but less than RMB 2 million shall be imposed; the person in charge who is held directly liable and other liable persons shall be subject to a fine of more than RMB 50,000 but less than RMB 200,000; if material environmental pollution or ecological damage is caused, the construction unit will be ordered to stop production or use of the construction project, or be ordered to close down upon approval by the people's government with the authority of approval.

### ***Laws and Regulations Relating to Taxation***

#### *Enterprise Income Tax*

Pursuant to the EIT Law promulgated on March 16, 2007, amended on and effective December 29, 2018, and the Regulation on Implementation of the Enterprise Income Tax Law of the PRC, or the EIT Implementation Rules, issued on December 6, 2007 and amended on and effective April 23, 2019, EIT shall be applicable at a uniform rate of 25% to all resident or non-resident enterprises. EIT shall be payable by a resident enterprise for income sourced within or outside the PRC. EIT shall be payable by a non-resident enterprise, for income sourced within the PRC by its institutions or premises established in the PRC, and for income sourced outside the PRC for which the institutions or premises established in the PRC have a de facto relationship. Where the non-resident enterprise has no institutions or premises established in the PRC or has income bearing no de facto relationship with the institution or premises established, EIT shall be payable by the non-resident enterprise only for income sourced within the PRC.

Pursuant to the Administrative Measures on the Accreditation of High and New Technology Enterprises accredited high and new technology may make declarations under and benefit from tax concession policies in accordance with relevant regulations including the EIT Law and the EIT Implementation Rules, the Law of the PRC on Administration of Levying and Collection of Taxes and the Regulation of Implementation of the Law of the PRC on Administration of Levying and Collection of Taxes.

Pursuant to the Notice on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries, IC production enterprises with an IC production line below 0.8 micrometer (inclusive), after accreditation, shall be entitled to a tax concession period beginning in the profit-making year that is prior to December 31, 2017, for which EIT shall be exempted for the first and second years and be reduced by 50% in the third to fifth years. In addition, IC production enterprises with an IC production line below 0.25 micrometer or an investment of over RMB8 billion, after accreditation, shall be entitled to a reduced EIT tax rate at 15%, and, for those with an operation period of over 15 years, the tax concession period shall be deemed to start from the profit-making year prior to December 31, 2017, for which EIT shall be exempted in the first to fifth years and be reduced by 50% in the sixth to tenth years. As for IC design enterprises newly established within the PRC and eligible software enterprises, upon accreditation, the tax concession period shall be deemed to start from the profit-making year prior to December 31, 2017, for which EIT shall be exempted for the first and second years and be reduced by 50% in the third to fifth years.

### *Value-Added Tax*

Pursuant to the Provisional Regulation on Value-Added Tax of the PRC (“VAT Provisional Regulation”) promulgated by the State Council, as amended on November 10, 2008, February 6, 2016 and November 19, 2017 and effective November 19, 2017, all entities and individuals in the PRC engaging in the sales of goods, provision of processing services, repairs and replacement services, sales services, intangible assets, real estate and the importation of goods are required to pay value added tax, or VAT. According to VAT Provisional Regulation, taxpayers that sell goods, labor services or tangible personal property leasing services or import goods and do not fall within the scope as specified in Item 2, Item 4 and Item 5 of Article 2 of VAT Provisional Regulation shall be subject to a 17% tax rate; taxpayers that sell transport services, postal services, basic telecommunications services, construction services, or real property leasing services, sell real property, transfer the land use right, or sell or import the goods listed below shall be subject to an 11% tax rate: (1) such agricultural products as grain, edible vegetable oil, and common salt; (2) tap water, heat supply, air-conditioning, hot water, gas, liquefied petroleum gas, natural gas, dimethyl ether, methane and civil-use coal products; (3) books, newspapers, magazines, audio-visual products, and electronic publications; (4) feeds, chemical fertilizers, pesticides, agricultural machineries and mulching films; and (5) other goods specified by the State Council; taxpayers that sell services or intangible assets and do not fall within the scope as specified in Item 1, Item 2 and Item 5 of Article 2 of VAT Provisional Regulation shall be subject to a 6% tax rate.

Pursuant to the Notice on Value-Added Tax Policies of Software Products released by the Ministry of Finance and the SAT on October 13, 2011, a general taxpayer who sells self-developed and self-produced software products, VAT shall be collected at a tax rate of 17% and the refund-upon-collection policy shall be applied to the part VAT in excess of 3% of their actual tax burden.

According to the Circular of the Ministry of Finance and the SAT on Adjusting Value-added Tax Rates promulgated on April 4, 2018, and effective May 1, 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% tax rates are lowered to 16% and 10% respectively.

According to the Circular on Policies to Deepen Value-added Tax Reform promulgated by the Ministry of Finance, the SAT, and the General Administration of Customs on March 20, 2019, and effective April 1, 2019, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 16% and 10% tax rates are lowered to 13% and 9% respectively.

According to Announcement of the Ministry of Finance and the State Taxation Administration to Further Step up the Application of End-of-Period Excess Input Value-Added Tax Credit Refund Policies issued by the Ministry of Finance and the SAT on March 21, 2022 and effective on April 1, 2022, Starting from the tax filing period of April 2022, an eligible enterprise in the manufacturing and other sectors may apply to the competent tax authority for a refund of its incremental VAT credit amount; starting from the tax filing period of July 2022, an eligible medium-sized enterprise in the manufacturing and other sectors may apply to the competent tax authority for a lump-sum refund of its existing VAT credit amount; and starting from the tax filing period of October 2022, an eligible large enterprise in the manufacturing and other sectors may apply to the competent tax authority for a lump-sum refund of its existing VAT credit amount.

### *Tax on Dividends*

Pursuant to the EIT Law and the EIT Implementation Rules, except as otherwise provided by relevant tax treaties with the PRC government, dividends paid by foreign-invested investment enterprises to foreign investors which are non-resident enterprises and which have not established or operated premises in the PRC, or which have established or operated premises but where their income has no de facto relationship with such establishment or operation of premises shall be subject to a withholding tax of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income entered into between the PRC government and the Hong Kong Special Administrative Region, where the beneficial owner is a company directly holding at least 25% of the equity interest of the company paying the dividends, the tax charged shall not exceed 5% of the distributed dividends. In any other case, the tax charged shall not exceed 10% of the distributed dividends.

Pursuant to the Announcement on Issues Relating to “Beneficial Owner” in Tax Treaties promulgated by the SAT on February 3, 2018 and came effective April 1, 2018, a “beneficial owner” shall mean a person who has ownership and control over the income, and the rights and property from which the income is derived. Upon the determination of the “beneficial owner” status of a resident of the treaty counterparty who needs to enjoy the tax treaty benefits (hereinafter referred to as the “applicant”), a comprehensive analysis shall be conducted taking into account the actual conditions of the specific case. In general, the following factors are unfavorable for the determination of “beneficial owner” status of an applicant: (1) the applicant is obligated to pay 50% or more of the income, within 12 months from its receipt, to a resident of a third country (region), where the term “obligated” includes agreed obligations and de facto payment for which there is no agreed obligation; (2) the business activities undertaken by the applicant do not constitute substantive business activities, where substantive business activities shall include manufacturing, distribution and management activities of a substantive nature, the determination of whether the business activities undertaken by the applicant are of a substantive nature shall be based on the functions actually performed and the risks borne, and investment holding management activities of a substantive nature undertaken by the applicant may constitute substantive business activities (where the applicant undertakes investment holding management activities which do not constitute substantive business activities, and simultaneously undertakes other business activities, if such other business activities are not sufficiently significant, these shall not constitute substantive business activities); (3) the treaty counterparty country (region) does not levy, or exempts tax on the relevant income, or levies tax but with a very low actual tax rate; (4) in addition to the loan contract based on which interest is derived and paid, there exists other loans or deposit contracts between the creditor and the third party, of which factors such as the amount, interest rate and date of execution are similar; and (5) in addition to the transfer contract for rights to use such as copyright, patent, technology, from which the royalties are derived and paid, there exists other transfer contracts for rights to use or ownership in relation to copyright, patent, technology between the applicant and a third party.

Pursuant to the Notice of the SAT on the Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties promulgated by the SAT and effective February 20, 2009, all of the following conditions shall be satisfied before the concession tax rate in a tax treaty can be enjoyed: (1) the tax resident obtaining dividends shall be restricted to the company as provided in the tax treaty; (2) among all the ownership equity interests and voting shares of the PRC resident company, the proportion directly owned by the tax resident complies with the prescribed proportions under the tax treaty; and (3) the proportion of the equity interests of the PRC resident company directly owned by such tax resident complies with, at all times within the twelve months before obtaining the dividends, the proportions specified in the tax treaty.

Pursuant to the Announcement of the State Taxation Administration on Issuing the Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers promulgated by the SAT on October 14, 2019 and effective January 1, 2020, entitlement to treaty benefits for non-resident taxpayers shall be handled by means of “self-judgment of eligibility, declaration of entitlement, and retention of relevant materials for future reference”. Where non-resident taxpayers judge by themselves that they meet the conditions for entitlement to treaty benefits, they may obtain such entitlement themselves at the time of making tax declarations, or at the time of making withholding declarations via withholding agents. At the same time, they shall collect, gather and retain relevant materials for future reference in accordance with the provisions of these Measures, and shall accept the follow-up administration of tax authorities. Relevant information proving the status of “beneficial owner” shall be retained in the case of entitlement to dividends, interest and treaty benefits of royalty clauses.

### ***Laws and Regulations Relating to Labor and Social Security***

Pursuant to the Labor Law of the PRC promulgated on July 5, 1994 and amended on and effective December 29, 2018, companies must negotiate and enter into employment contracts with their employees based on the principle of fairness. Companies must establish and strengthen an employment hygiene system, strictly implement the national labor safety and health rules and standards, deliver occupational health and safety education to employees, prevent work-related accidents, and reduce occupational hazards. In addition, employers and employees shall purchase social insurances and pay for social insurance fees in compliance with applicable PRC laws.

#### ***Labor Contracts***

The Labor Contract Law of the PRC, which was promulgated on June 29, 2007 and subsequently amended on December 28, 2012 and effective July 1, 2013, serves as the primary law regulating the labor contract relationship between companies and employees. Pursuant to this law, an employment relationship is established between the employer and the worker since the day of employment. The employer shall execute a written employment contract with the worker. Furthermore, to safeguard the legal rights and interests of workers, the way to calculate compensation for the probation period and for damages shall be subject to the provisions of the law.

## *Social Security and Housing Provident Fund*

As required under the Social Insurance Law of the PRC promulgated on October 28, 2010, and amended on and effective December 29, 2018, the Regulation on Work-Related Injury Insurance promulgated on April 27, 2003, amended on December 20, 2010 and effective January 1, 2011, the Provisional Measures on Insurance for Maternity of Employees promulgated on and effective December 14, 1994 and implemented on January 1, 1995, and the Regulation on Administration of Housing Provident Funds promulgated on April 3, 1994 and last amended on and effective March 24, 2019, employers and employees within the PRC shall pay for social insurance fees and housing provident funds in compliance with applicable PRC laws.

## ***Laws and Regulations Relating to Intellectual Property***

### *Trademarks*

Pursuant to the Trademark Law of the PRC promulgated on August 23, 1982, amended on April 23, 2019 and effective November 1, 2019 and the Regulation on Implementation of the Trademark Law of the PRC promulgated on August 3, 2002, amended on April 29, 2014 and effective May 1, 2014, the right to the exclusive use of a registered trademark is limited to the approved trademark registration, and to goods for which the use of the trademark has been approved. The period of validity of registered trademarks lasts for ten years from the day of registration approval. Absent the authorization by the owner of the registered trademark, the use of the registered trademark or a similar trademark on the same category of goods or similar goods constitutes an infringement of the right to exclusive use of the registered trademark. The infringer shall, in accordance with the relevant regulations, cease the infringement activities, take correction actions, and compensate for losses.

### *Patents*

Pursuant to the Patent Law of the PRC promulgated on March 12, 1984, last amended on November 17, 2020 and effective June 1, 2021, and the Rules for the Implementation of the Patent Law of the PRC amended on January 9, 2010 and effective February 1, 2010, after the grant of the patent right for inventions and utility models, except otherwise regulated under the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit such patent, that is to manufacture, use, offer to sell, sell or import the patented product, or use the patented process, and use, offer to sell, sell or import products directly obtained from such patented process, for production or business purposes. After the patent right is granted for a design, no unit or individual shall, without the authorization of the patent owner, exploit such patent, that is to manufacture, offer to sell, sell, or import any product containing such patented design for production or business purposes. Where infringement has been established, the infringer shall, in accordance with the relevant regulations, be ordered to cease the infringement activities, take corrective actions, and compensate for losses.

### *Copyrights*

Pursuant to the Copyright Law of the PRC promulgated on September 7, 1990, last amended on November 11, 2020, and effective June 1, 2021, works of PRC citizens, legal persons or unincorporated organizations shall, regardless of whether they have been published, be entitled to the copyright pursuant to this law. Works include written works; oral works; musical, dramatic, opera, dance, acrobatic and artistic works; visual arts, architectural works; photographic works; audiovisual works; graphical works and modeling works such as engineering design graphs, product design graphs, maps and schematic diagrams; computer software; and other intellectual achievements that meet the characteristics of works.

Pursuant to the Regulation on Protection of Computer Software promulgated on December 20, 2001, last amended on January 30, 2013 and effective date on March 1, 2013, software copyright is conferred on the software development completion date. The protection period for a software copyright of a legal person or other organizations lasts for 50 years, concluding on the day of December 31 in the 50th year after the initial release of the software. However, in the case where the software has not been released within 50 years from its development completion date, protection shall no longer be offered by these regulations. A software copyright holder may register with competent software registration authority under the State Council Copyright Administrative Department. Registration certification documents issued by the competent software registration authority serve as the prima facie proof of such registration.

Pursuant to the Regulation on the Protection of Integrated Circuit Layout Designs promulgated on April 2, 2001 and implemented on October 1, 2001, and the Protection of Integrated Circuit Layout Designs Regulations Implementing Rules promulgated on September 18, 2001 and effective October 1, 2001, layout design proprietary right holders enjoy the following proprietary rights: to duplicate the whole or any part of the protected layout designs that is original; to make commercial use of the protected layout designs, ICs containing such layout designs, or items containing such ICs.

## **Regulatory Overview of Australia**

We are engaged in cryptocurrencies, remittance, and foreign exchange operations in Australia. The corporate entities engaged in these operations were established and are registered in Australia and have adopted measures to ensure compliance with their regulatory obligations.

### ***Existing regulatory framework on foreign exchange and crypto assets***

While the regulation of foreign exchange and remittance businesses is well-established in Australia, this is still a developing area for cryptocurrency. Nevertheless, cryptocurrencies, digital currencies (crypto assets), and cryptocurrency exchanges are legal in Australia.

Financial products and services offered in Australia are generally regulated via the placing of obligations on sellers and distributors of financial products. The Australian Securities and Investments Commission (ASIC) and the Australian Transaction Reports and Analysis Centre (AUSTRAC) oversee different aspects of the foreign exchange, remittance and crypto assets ecosystem of Australia. Currently, there is no clear and comprehensive policy that directly regulates crypto assets or Crypto Asset Secondary Service Providers (CASSP) in Australia.

The existing regulatory framework for crypto assets is comprised of several aspects of Australian laws, including the *Corporations Act 2001* (*Corporations Act*), *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (*AML/CTF Act*), and the *Competition and Consumer Act 2010*.

Crypto assets that are a financial product or designated service, are within the scope of the Corporations Act. Crypto assets that are not financial products are considered consumer products subject to the Australian Consumer Law administered by the Australian Competition and Consumer Commission (ACCC).

## **Government bodies and laws on foreign exchange and crypto assets and exchanges**

ASIC and AUSTRAC are the two (2) primary regulators of foreign exchange contracts, remittance activities, and crypto assets and exchanges.

### ***ASIC and the Corporations Act and the ASIC Act***

ASIC is the government regulator for, among other things, corporations, financial markets, and the financial services industry of Australia, and administers the Corporations Act and the *Australian Securities and Investments Commission Act 2001* (ASIC Act) as they relate to the industries it supervises. ASIC requires providers to hold an Australian Financial Services License (AFSL) before engaging in financial services (in relation to financial products) in Australia.

We hold an AFSL that authorizes us to deal in and provide general financial product advice in relation to products including foreign exchange contracts (*e.g. FX Forward and Options Contracts*), and non-cash payment products (NCP).

While there have been no recent changes to the laws governing foreign exchange contracts, NCP products have received some attention in relation to crypto assets. An NCP is described as an arrangement through which a party makes payments, or causes payments to be made, other than by the physical delivery of Australian or foreign currency. Examples include stored value cards, electronic cash and direct debit services.

An intermediary that arranges for the issue of an NCP facility may need to hold an AFS Licence or be an authorized representative of an AFS licensee. However, whether or not a transaction involving a crypto asset is an NCP facility depends on the rights and obligations associated with the asset.

According to ASIC's Information Sheet (INFO 225), if the asset provides the holder with a right to use the asset to make a payment, it is likely to be an NCP facility. An arrangement is also likely to be an NCP if, for example, a person offers an arrangement where payments can be made using a crypto asset but fiat currency is sent to recipients.

### ***Australian Financial Services License (AFSL)***

As an AFS Licensee engaged in financial services in Australia, in particular, advising and dealing in foreign exchange contracts and NCP products, we are subject to general obligations under the Corporations Act, including providing financial services efficiently, honestly and fairly; having in place adequate arrangements for the management of conflicts of interest; complying with our license conditions and financial services laws; having adequate human, financial and technological resources; maintaining a dispute resolution system for retail clients; and ensuring that our representatives are adequately trained and competent. Additionally, we must have adequate risk management systems in place. ASIC requires all AFS Licensees to have their compliance arrangements in relation to these obligations audited on an annual basis.

### ***ASIC initiatives concerning crypto assets***

The Australian government has publicly stated that it is committed to ensuring consumers can buy, sell, and store crypto assets using Australian CASSP.

Based on INFO 225, Australian laws apply where the crypto asset is promoted or sold in Australia, including from offshore. As such, the use of offshore or decentralized structures does not obviate the application of Australian laws, and encourages entities to design their products and services in a way that complies with the spirit of the laws in place to safeguard consumers and the integrity of financial markets in Australia.

Furthermore, INFO 225 provides that it is incumbent on issuers to determine whether their crypto asset issuance falls within the definition of a 'financial product' under the Corporations Act and therefore requires the holding of an AFS Licence or other ASIC authorization to be obtained. Failure to do so may trigger legal action from ASIC against those issuers without a required AFSL or authorization.

Currently, whether a crypto asset is considered a financial product depends on its use, which is principally defined in section 763A of the Corporations Act. Broadly, a financial product is a facility through which a person makes a financial investment, manages a financial risk, or makes non-cash payments.

With regards to the ASIC Act, it prohibits engagement in misleading or deceptive conduct in the course of operating a crypto asset business whether a financial product is involved or not.

### ***AUSTRAC and the AML/CTF Act***

AUSTRAC is the Australian Government agency that performs a dual role as Australia's AML/CTF regulator and financial intelligence unit. AUSTRAC is responsible for preventing, detecting, and responding to criminal abuse of the financial system to protect the Australian community from serious and organized crime. AUSTRAC also regulates certain business activities in the financial, bullion, gambling, remittance and digital currency exchange service sectors. These business activities are called designated services and have been identified because they pose a risk for money laundering and terrorism financing.

Presently, Australia's cryptocurrency regulations under the AML/CTF Act, and AML/CTF Rules require digital currency exchanges (DCE) to register with AUSTRAC. The regulations require entities acting as exchanges, or providing registrable exchange type services, to identify and verify their users, maintain records, and comply with government AML/CTF reporting obligations.

Two of our business entities in Australia have been registered as Digital Currency Exchange Providers with AUSTRAC and comply with the regulatory obligations imposed by AUSTRAC under the AML/CTF Act, including having an AML/CTF Program; identifying the types of money laundering and terrorist financing risks that may be faced by the business and the consequences of non-compliance; reporting on suspicious matters; and keeping records for the prescribed period.

## **Recent Australian Government regulatory objectives for crypto assets**

The Australian Government is committed to ensuring that consumers can engage (buy, sell, and store) crypto assets using Australian CASSP with confidence and has announced that it intends to regulate the digital asset market by imposing a licensing (marketing and financial services) regime. In February 2023, the Department of the Treasury (the “Treasury”) released its “Token Mapping Consultation Paper” (Consultation Paper). The Consultation Paper invited feedback from the industry on how to address matters such as the existing gaps in regulatory framework and to inform future licensing and policy decisions in the cryptocurrency sector. Following the Token Mapping exercise, on October 16, 2023, the Treasury released its proposal paper “Regulating Digital Asset Platforms” (the “Paper”), inviting industry feedback on proposed regulation of DCE providers under the AFSL regime.

As articulated by the Australian Government, the proposed licensing regime is designed to provide a framework for minimum standards of conduct, including for custody of private keys and the suitability of key persons to be operating CASSP businesses (through fit and proper person tests). There is a focus on “financialisation” of tokens which would not be financial products under the Corporations Act by introducing a new type of financial product called a “digital asset facility.”

A digital asset facility will be any facility that involves an entity holding customer digital assets, and/or multi-function platforms that hold digital assets for customers and allow customers to transact in platform entitlements. An “entitlement” means any kind of right, benefit or claim flowing from any kind of contract, understanding, scheme or convention. The Paper also proposes additional obligations to those held by traditional AFS Licensees. These additional obligations are related to licensee conduct, and impose minimum standards related to custody and asset holding, facility contracts, and customer disclosure requirements.

These changes will provide regulatory clarity and give confidence to both consumers and businesses. The Paper anticipates exposure draft legislation will be released in 2024.

### **The Australian Competition and Consumer Commission (ACCC)**

The ACCC is an independent Commonwealth statutory authority whose role is to enforce the *Competition and Consumer Act 2010*. The ACCC provides guidance to consumers about buying and sending fiat and crypto currencies and can intervene in cases involving misleading and deceptive conduct.

## **The Australian Taxation Office and taxation laws on crypto assets**

While the Australian Taxation Office (ATO) has provided some guidance on the income tax treatment of crypto assets and has adopted some legislative reform with regards to Goods and Services Tax, this has been limited to crypto assets ownership in Australia.

The lack of comprehensive binding guidance from the ATO is in part due to crypto assets encompassing a broad range of tokens and other “things” with different rights, entitlement and obligations. As such, without a specific crypto regime, it is challenging for the ATO to administer the law in a consistent and sensible way.

### ***Board of Taxation review***

In March 2022, the Board of Taxation (the “Board”) commenced a review into the appropriate policy framework for the taxation of digital transactions and digital assets, including cryptocurrency and non-fungible tokens (NFTs). The Board was required to report back to the Government by December 31, 2022 in accordance with the Consultation Guide. However, according to the latest announcement by the Board on its official website, the Board was asked to report back to the Government by February 29, 2024. While the outcome of the final report is yet to be released to the public, the review’s terms of reference require the Board to, among other matters, consider whether or not any changes to Australia’s taxation laws and/or their administration are warranted in the context of digital assets and transactions for both for retail and wholesale investors.

The review signals an increasing desire for Australia to be at the forefront of technology and innovation. In the meantime, the industry is expected to have recourse to the guidelines provided by the ATO and accounting standard setting bodies respectively, for the appropriate tax and accounting processes for these digital assets.

### **The Australian Sanctions Office (ASO)**

The following is a brief summary of the sanctions regime imposed by the Australian Government. This summary does not intend to set out the laws and regulations relating to Australia’s sanctions regime in their entirety.

ASO is the Australian Government’s sanctions regulator which operates under Australia’s Department of Foreign Affairs and Trade (DFAT). ASO is tasked with, among other things, providing guidance on Australian sanctions laws, and works with other government agencies to monitor compliance with sanctions legislation. Australia adopts both the United Nations Security Council (UNSC) sanctions regimes and the Australian autonomous sanctions regimes as a matter of international law as well as a matter of Australian foreign policy. Penalties for breaching sanctions laws include up to 10 years imprisonment and substantial fines.

Australia extended its autonomous sanctions in relation to Russia in 2022 and 2023. These sanctions measures are aimed at restrictions on exports and commercial activities, including providing and dealing with assets of designated persons or entities, and restrictions on certain imports including arms material, energy products such as oil, and certain luxury goods; and travel bans on designated persons etc. Sanctions Permits may be issued however, subject to certain criteria.

## Regulatory Overview of United States

The following sets forth a description of certain laws, regulations and government policies relating to cryptocurrencies and cryptocurrency mining in the United States, which we consider a key market for our overseas business.

We are not aware of any law that currently makes it per se illegal for a natural person or entity simply to possess, sell, or trade Bitcoin on its own behalf in connection with lawful transactions in the United States, provided that any transaction complies generally with applicable law. We are also not aware of any United States federal law that currently prohibits any legal entity or natural person from importing BPU's into the United States or manufacturing or selling BPU's within the United States. Nonetheless, in the United States, both the federal government and individual states have regulations in place that govern the offer, sale, and transmission of various types of cryptocurrency, including but not limited to Bitcoin, and the legal status of Bitcoin and other cryptocurrencies and digital assets continues to evolve. Nevertheless, the United States currently hosts a complex and rapidly evolving regulatory environment and we are subject to a wide range of laws and regulations enacted by U.S. federal, state and local governments, governmental agencies and regulatory authorities, including the Commodity Futures Trading Commission, the SEC, the Federal Trade Commission (the "FTC"), and FinCEN. Other regulatory bodies, governmental or semi-governmental, have shown an interest in regulating or investigating companies engaged in the blockchain or cryptocurrency businesses.

The CFTC has taken the position that cryptocurrencies, such as Bitcoin, are "commodities" covered by the Commodity Exchange Act and subject to regulation by the CFTC. In March 2018, a United States federal court affirmed the CFTC's authority to regulate cryptocurrencies. This means that the CFTC has jurisdiction over any futures, options or derivatives contracts involving cryptocurrencies as well as any fraud or manipulation involving cryptocurrencies in the spot market. Our products are not intended to be used either for any futures, options or derivatives trading or to enable fraud or manipulation. However, to the extent that any mining activity using our products were to be deemed a form of fraud or manipulation, or our products were otherwise used for fraud or manipulation, we could potentially be subject to regulatory or private actions related to those uses.

In addition, while the SEC has taken the position that Bitcoin, Ether, and certain cryptocurrencies subject to significant operational restrictions are not "securities" regulated by the federal securities laws, it is likely that the SEC would view almost all other cryptocurrencies (other than Bitcoin and Ether) that can be mined to be "securities," based on their status as "investment contracts" under the guidance provided by the SEC "Framework for 'Investment Contract' Analysis of Digital Assets," and the application of the test under *SEC v. W. J. Howey Co.*, 328 U.S. 293 (1946) (the "Howey test") to cryptocurrencies. It is similarly likely that these other cryptocurrencies will be treated as securities under the laws of the individual states. By way of illustration, the SEC, U.S. state securities regulators and several foreign governments have issued warnings and instituted legal proceedings in which they argue that certain digital assets may be classified as securities and that both those digital assets and any related initial coin offerings or other primary and secondary market transactions are subject to securities regulations. As recent examples, in June 2023, the SEC brought charges against Binance and Coinbase, and in November 2023, the SEC brought charges against Kraken, alleging that they operated unregistered securities exchanges, brokerages and clearing agencies. In its complaints, the SEC asserted that several digital assets are securities under the federal securities laws.

The status of most currently-existing cryptocurrencies and other digital assets as securities could impose significant restrictions on us or our customers with operations that are located in the United States or involve United States residents. Typically, offerings and distributions of securities in the United States are required to register with the SEC under the Securities Act and, in compliance with state law, with applicable state regulators. If the offering of a cryptocurrency or digital asset that can be mined using our products is deemed a security, miners may be required to cease mining that cryptocurrency or digital asset, which would negatively affect our business. In addition, if the Company were viewed as facilitating an illegal distribution of a cryptocurrency or digital asset, the Company could have liability associated with its product sales. Further, even if a cryptocurrency or digital asset that is considered to be a security is legally distributed under the U.S. federal and state securities laws, the miners of that cryptocurrency or digital asset could be viewed as statutory underwriters or as "brokers" subject to regulation under the Exchange Act because they are effecting transactions in those securities for a fee (i.e., mining rewards). This outcome would again potentially reduce the viability of our product sales and could also result in the Company incurring liability. Any of these developments could limit the future development of our business. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses— The current regulatory environment in foreign markets, and any adverse changes in those environments, could have material adverse impacts on our blockchain products business and our Fintech business."

Under Section 5 of the Federal Trade Commission Act of 1914, which currently prohibits “unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce,” the FTC is authorized to “prevent persons, partnerships, or corporations, except banks [and certain other entities] from using unfair methods of competition in or affecting commerce and unfair or deceptive acts or practices in or affecting commerce.” Based upon a new “Policy Statement Regarding the Scope of Unfair Methods of Competition Under Section 5 of the Federal Trade Commission Act” issued on November 10, 2022, the FTC may now use Section 5 of the FTC Act to regulate “conduct that tends to cause potential harm similar to an antitrust violation, but that may or may not be covered by the literal language of the antitrust laws or that may or may not fall into a ‘gap’ in those laws.” In response, the FTC has been increasing its scrutiny of the digital assets sector, and has initiated various investigations into certain acts and practices of entities participating in the digital assets sector.

Further, FinCEN regulates “money transmitters,” including certain administrators and exchangers of cryptocurrencies, and state laws also regulate money transmission; more generally, cryptocurrency transactions may implicate a variety of federal and state laws designed to counter money laundering. In that regard it should be noted that U.S. Secretary of the Treasury Steven Mnuchin has indicated that federal regulators are specifically looking for potential money laundering activities involving cryptocurrency.

In addition, since there has been limited precedent set for the financial accounting of digital assets, it is unclear how we will be required to account for digital asset transactions (i.e. receiving or selling Bitcoin) or digital assets themselves. Internal Revenue Service Notice 2014-21 states that at federal level, “the sale or exchange of convertible virtual currency, or the use of convertible virtual currency to pay for goods or services in a real-world economy transaction, has tax consequences that may result in a tax liability.” Under Notice 2014-21, cryptocurrencies and other digital assets are treated as “property” for U.S. federal tax purposes and this position was reaffirmed by the IRS in a reminder issued in March 2018 (IR-2018-71). In 2019, the IRS further released Revenue Ruling 2019-24 and a set of “Frequently Asked Questions” (which have been periodically updated), that provide additional guidance, including guidance to the effect that, under certain circumstances, hard forks of digital currencies are taxable events giving rise to ordinary income and guidance with respect to the determination of the tax basis of virtual currency. However, this guidance does not address other significant aspects of the U.S. federal income tax treatment of cryptocurrency assets and related transactions. Mining, selling, and transacting in cryptocurrencies and other digital assets are all potentially taxable events for U.S. federal income tax purposes. United States state taxing authorities may adopt similar views on the taxability of cryptocurrencies and other digital assets.

Even considering the foregoing, regulations may substantially change in the future and it is presently not possible to know how regulations will apply to our businesses, or when they will be effective. As the regulatory and legal environment evolves, we may become subject to new laws and further regulation by the SEC and other agencies, which may affect our mining and other activities. For instance, various bills have been proposed in the U.S. Congress related to our business, which may be adopted and have an impact on us. Additionally, governmental agencies and regulatory authorities, such as the SEC, the CFTC, the FTC and the FinCEN may also enact regulations related to our business, which may have an impact on us. For example, the U.S. Department of the Treasury is expected to announce regulations pursuant to the Infrastructure Investment and Jobs Act passed in November 2021, which requires digital-asset brokers to turn over information on their clients’ transactions to the U.S. Internal Revenue Service. For example, if the Treasury Department were to classify Bitcoin miners as brokers for purposes of these rules, or impose an excise tax on electricity usage by digital asset miners, as described in General Explanations of the Administration’s Fiscal Year 2024 Revenue Proposals released by the Department of the Treasury on March 9, 2023, those actions would have an adverse impact on our business. In August 2023, the IRS and Treasury Department promulgated proposed regulations that clarify and adjust the rules regarding the tax reporting of information by brokers to confirm that brokers for digital assets are subject to the same information reporting rules as brokers for securities and other financial instruments; provided, however, that if they do not perform other services apart from their validation activities, miners and validators would not be classified as brokers. Nevertheless, the proposed regulations remain subject to a comment period, and it is not clear when final regulations will be issued. The continued evolution of federal, state and foreign government policies and regulations will continue to impact the viability and success of digital asset markets, broadly, and Bitcoin, specifically.

## **Sanctions Laws and Regulations**

Following is a summary of the sanctions regime imposed by the United States. This summary does not intend to set out the laws and regulations relating to the United States sanctions in their entirety.

### ***Trade Controls***

Our business activities are subject to various restrictions under U.S. export and similar laws and regulations, as well as various economic and trade sanctions administered by OFAC. Further, various countries regulate the import of certain technology and have enacted or could enact laws that could limit our ability to provide customers with our products in those countries.

Economic sanction laws in the U.S. and other jurisdictions prohibit or otherwise restrict us and our officers, directors, and employees from engaging in transactions in, or relating to, certain countries, territories, individuals, and entities. In the U.S., OFAC, the U.S. Department of State, and the U.S. Department of Commerce administer and enforce laws, executive orders, and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain countries, territories, individuals, and entities. These persons and entities include specially designated nationals and other persons and entities targeted by OFAC sanctions programs. The lists of OFAC-restricted countries, territories, individuals, and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at <https://ofac.treasury.gov/>. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions and similar laws and regulations in non-U.S. jurisdictions may significantly restrict our business activities in certain countries or territories. The economic sanctions and related laws of different jurisdictions in which we conduct business also may conflict with one another, such that compliance with all applicable laws may be difficult. Failure to comply with OFAC or other relevant sanctions could have serious legal and reputational consequences, including civil and criminal penalties.

### ***Export Control Regulations***

The purpose of the export control regulations is to control exports and re-exports for purposes of national security, foreign policy, short supply, reduction of nuclear proliferation, limitation of chemical or biological warfare, antiterrorism, crime control, enforcement of economic embargoes, compliance with United Nations resolutions and other purposes. These laws apply to both the export of tangible products as well as the export of technology, technical data, software, trade secrets and similar types of information. These programs are administered by various U.S. agencies. Sanctions for violations of these regulations include civil and criminal penalties - criminal sanctions are often imposed on both corporate defendants and officers, directors and employees of the corporation in their personal capacities.

### ***Export Administration Regulations***

In the United States, the principal program for the federal regulation of exports is under the U.S. Export Administration Regulations (the "EAR"). The EAR controls the export and re-export of U.S.-origin products and technologies from the United States. The EAR prohibits the export of certain goods, software and technologies identified therein to specific foreign countries or require exporters to obtain export licenses for the export of such items. The EAR incorporate the Commerce Control List, a list of approximately 3,000 items, which are subject to export restrictions. Items on the Commerce Control List are prohibited from export to certain destinations unless an export license is issued by the U.S. Department of Commerce. Items on the Commerce Control List include products, software and technology. Examples of products that are subject to export licensing include electronic navigation control systems, computer aided design devices (CAD-CAM), high performance computers, network components (routers, hubs, servers), computerized telecommunications switches and high performance composite materials. The EAR also control the "re-export" of products manufactured in foreign countries which incorporate more than a de minimis amount of U.S. content or which are based on certain U.S. -origin technologies. Finally, the EAR also prohibit the export of any item that will be used in any prohibited end-use.

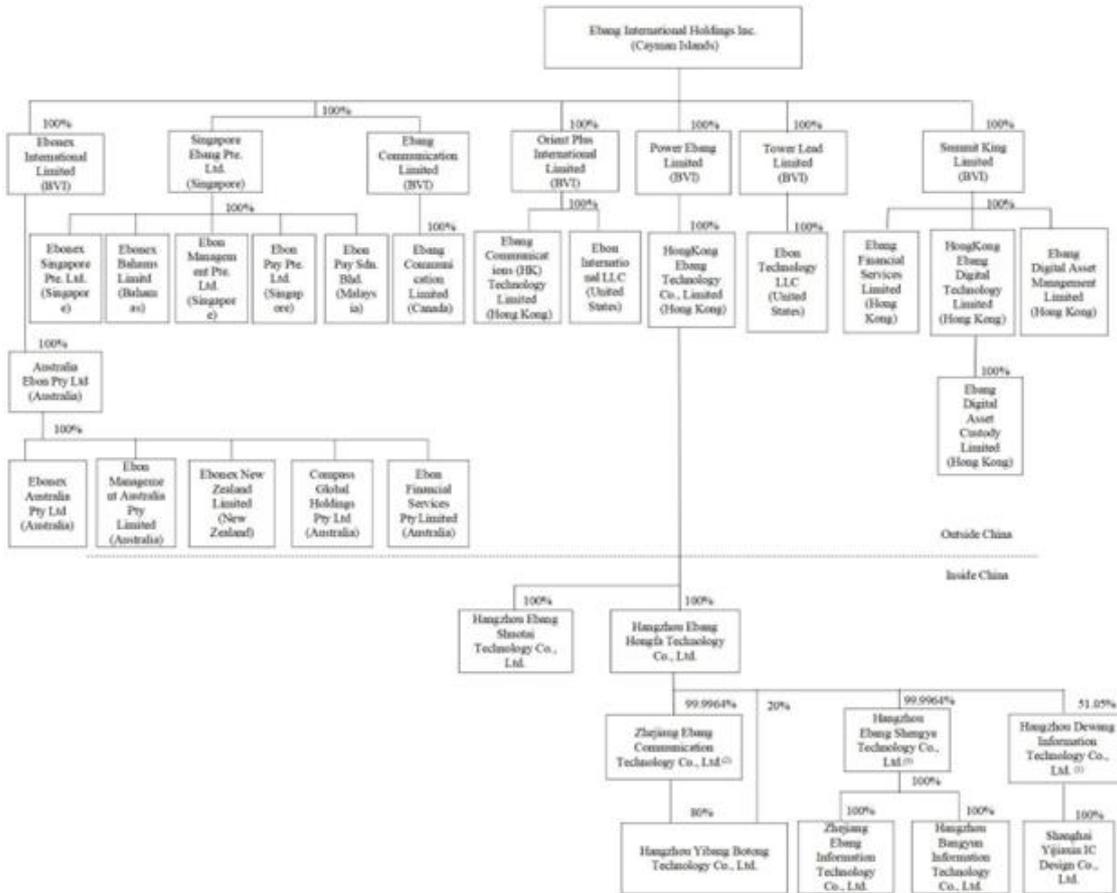
### C. Organizational structure

We are an exempted company incorporated pursuant to the laws of Cayman Islands. We operate and own our assets directly and indirectly through a number of subsidiaries.

Ebang International is a holding company incorporated in Cayman Islands which does not have substantive operations. We conduct our businesses through our subsidiaries. Our principal subsidiaries consist of the following entities (in chronological order based on their dates of incorporation):

- Zhejiang Ebang, our majority-owned subsidiary and an onshore holding company established in the PRC on January 21, 2010, principally for holding our businesses in the design, manufacture and sale of telecommunications and blockchain processing equipment;
- Ebang IT, our majority-owned subsidiary and an operating entity established in the PRC on August 11, 2010, principally for the design, manufacture and sale of telecommunications and blockchain processing equipment;
- Hangzhou Dewang, our majority-owned subsidiary and an operating entity established in the PRC on December 31, 2015, principally for the design and manufacture of blockchain chips;
- HK Ebang Communications, formerly known as Hong Kong Bite Co., Ltd., our wholly-owned subsidiary and an operating entity established in Hong Kong on February 12, 2016, principally for the trading of blockchain chips;
- Ebonex Australia, our wholly-owned subsidiary and an operating entity established in Australia on April 22, 2021, principally for operating the cryptocurrency exchange platform Ebonex; and
- Compass Global, which became our wholly-owned subsidiary in Australia through acquisition on March 21, 2022, principally for the cross-border payment and foreign exchange business.

The chart below summarizes our corporate structure and identifies the principal subsidiaries described above as of the date of this annual report:



- (1) The remaining 48.95% equity interests are owned by Huzhou Meiman Investment Management LLP, an unaffiliated third party.
- (2) On December 16, 2020, an affiliate controlled by Dong Hu, our chairman of the board of directors, chief executive officer and chief financial officer, acquired 0.0036% of the equity interests in Zhejiang Ebang.
- (3) On November 22, 2023, an affiliate controlled by Mr. Hu, our chairman of the board of directors, chief executive officer and chief financial officer, acquired 0.0036% of the equity interests in Hangzhou Ebang Shengye.
- (4) There is another Hong Kong entity within the group of subsidiaries listed above named Ebang Trust Limited (“Ebang Trust”), whose ultimate parent is Ebang International.

## D. Property, plants and equipment

We currently occupy properties in certain locations in China, including (1) research and development bases in Shanghai, Suzhou and Wuhan, (2) one production facility in Hangzhou and (3) sales offices in Hangzhou, Shijiazhuang, Changsha, Guangzhou, Taizhou, Beijing and Shenyang. We also currently occupy properties in other locations outside of China primarily in Singapore, Hong Kong, Australia, the Bahamas and Malaysia to operate and expand the Fintech businesses.

In addition, we had constructed our new headquarters in Linping District, Hangzhou which comprise expanded production, research and development and office space, among other uses, in order to support our business growth. For more information on our expansion plan and the related properties, see “—Owned Properties.”

### *Leased Properties*

The total gross floor area (“GFA”) of our leased properties is approximately 9,263 square meters (“sq.m.”), out of which, approximately 1,522 sq.m. are leased outside of China primarily in Singapore, Hong Kong, Australia, the Bahamas and Malaysia. These leased properties are used for research and development, sales and other offices. Our lease agreements mainly have a term of one to four years.

### *Owned Properties*

As of December 31, 2023, we owned properties in two locations in China with a total GFA of approximately 66,091.36 sq.m. The following table sets forth the GFA of all properties owned by us:

<b>Location</b>	<b>Approximate GFA (sq.m.)</b>
Wuhan, Hubei (research and development center)	390.68
Hangzhou, Zhejiang (Liping District)	65,700.68
<b>Total</b>	<b>66,091.36</b>

We believe that we have adequate facilities, through a combination of leased and owned properties, to accommodate our business operations and future expansion plans.

## ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Unless otherwise stated, the discussion and analysis of our financial condition and results of operation in this section apply to our financial information as prepared according to U.S. GAAP. You should read the following discussion and analysis of our financial condition and operating results in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. The following discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors.”

## A. Operating results

### Overview

As a global blockchain technology and Fintech company, we have strong ASIC chip design capability. With years of industry experience and expertise, we have become a global Bitcoin mining machine producer. Based on our deep understanding of the Fintech industry and compliance with laws and regulations in various jurisdictions, we have launched professional, convenient and innovative Fintech service platforms.

We strive to diversify our offerings and achieve a more stable financial performance by seeking cryptocurrency mining and farming businesses while further expanding into more Fintech businesses, and exploring future opportunities. As of the date of this annual report, we have been operating a cryptocurrency exchange platform and a cross-border payment and foreign exchange platform.

We believe our extensive experience in the blockchain and Fintech industries positions us well in our future endeavors. We intend to continue to concentrate our efforts in our blockchain and Fintech related businesses in 2024, and will adjust, from time to time, our strategic plan based on market demand, including pursuing business opportunities outside of the blockchain and Fintech industries, including the sustainable energy industry.

### Key Factors Affecting Our Results of Operations

In addition to the general factors affecting the Chinese and global economy and our industry, our results of operations and financial condition are affected by a number of industry- and company-specific factors, including those set out below:

#### *Expected economic returns on Bitcoin mining activities and fluctuation of Bitcoin price especially*

Our revenues historically primarily consisted of proceeds of sales of Bitcoin mining machines, which were, in general, determined by the demand and pricing of our Bitcoin mining machines. An increase in the economic return of Bitcoin mining activities would generally stimulate the demand and average selling price for our Bitcoin mining machines, and vice versa. An increase in the Bitcoin price is the most significant factor that could increase the expected economic returns generated by Bitcoin mining activities. Other factors that may increase the economic return of Bitcoin mining activities include, among others, increase in transaction fees, decrease in electricity costs or other operating costs, increase in computing power and efficiency of mining machines, reduction of difficulties of mining activities and increase in number of Bitcoin awarded for mining activities.

Historically, fluctuation of the Bitcoin price significantly affected our results of operations and financial condition; in particular, a significant drop in Bitcoin price resulted in a material negative effect on the global financial market and our results of operation. In 2021, the sustained outbreak of COVID-19 continued to disrupt our raw material supplies. Notwithstanding the foregoing, the price of Bitcoin maintained at a high level with volatility, and investors returned to cryptocurrency and blockchain investment, which had had a positive impact on the market. As a result, we generated revenues of US\$39.8 million from our blockchain products business in 2021. With the continuous decline in Bitcoin prices in 2022, continuation of the COVID-19 pandemic and large cryptocurrency exchanges declaring bankruptcy starting the second half of 2022, market participants once again began to invest cautiously. The shortage of overseas raw material supply did not improve, leading to a decline in our blockchain product revenue to US\$25.8 million in 2022. Although the price of Bitcoin soared in 2023 compared to the previous year, the collapse of cryptocurrency banks in the United States, coupled with the exposure of certain fraud incidents on trading platforms in 2023, made investors more cautious and reduced their enthusiasm to participate in market activities. As a result, we adjusted and shall continue to adjust our strategy, including allocating resources, and controlling costs and expenses, based on changes in market conditions at any given time. We will continue to cautiously venture into new fields and explore new market opportunities based on our existing professional experience, to ensure that the company can continuously bring new services and products to the market and attract more users.

We expect the volatility of the Bitcoin price to continue, which may significantly affect our business of operations and financial condition. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses—Our results of operations have been, and are expected to continue to be, significantly impacted by the fluctuation of cryptocurrency prices, especially the price of Bitcoin”. We expect our business and results of operations may be materially and adversely affected by the global market panics in the near term. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business operations—We face risks related to health epidemics, which could disrupt our operations and adversely affect our business, financial condition and results of operations.”

A decrease in the expected economic returns of Bitcoin mining activities and the Bitcoin price may also lead to increase in inventory write-down and credit sales as a result of stagnant demand and decrease in average selling price for our Bitcoin mining machines, which may significantly affect our gross margin and extend the billing cycle of our products. The pandemic, the halving event in 2020 and trade sanctions from various countries led some investors to exercise caution. The next halving event just occurred on April 19, 2024 and such events will occur roughly every four years thereafter, until the number of Bitcoin in existence reaches the pre-determined 21 million Bitcoin. For example, we recorded write-down for the potentially obsolete, slow-moving inventory and lower of cost or market adjustment of US\$2.2 million, US\$6.5 million and US\$0.3 million in 2021, 2022 and 2023, respectively. If we cannot maintain an appropriate inventory level, we may lose sales and market share to our competitors.

Bitcoin price fluctuated significantly in the past few years and resulted in a corresponding fluctuation in our sale of Bitcoin mining machines. We expect that the Bitcoin price may continue to fluctuate in the future, and as such, we would expect to continue to experience a significant corresponding fluctuation in both sales volumes and average selling prices of Bitcoin mining machines, as well as write-down of inventory, which may erode our profitability in the case of a significant Bitcoin price drop.

#### ***Market demand for our mining machines and development of blockchain technology and cryptocurrency markets, especially Bitcoin market***

Our current blockchain product is designed for Bitcoin mining. According to the F&S report, sales of Bitcoin computing hardware, the majority of which comprise sales of Bitcoin mining machines, have surged at a compound annual growth rate (“CAGR”) of 61.3% from approximately US\$0.2 billion in 2015 to approximately US\$1.4 billion in 2019 and are expected to further increase at a CAGR of 24.8% to approximately US\$4.3 billion in 2024. Because market demand is dependent on the development of the blockchain technology, as well as innovations in cryptocurrency applications, our results of operations will significantly depend on our ability to keep pace with market demand to attract new customers or retain existing customers as well as to maintain or increase our market share. Our results of operations will also be significantly affected by developments in overall blockchain technology and cryptocurrency markets, and in particular, the Bitcoin market. The Bitcoin market may be affected by various factors, including, among others the Bitcoin price and expected return on Bitcoin related activities such as mining and trading, different views regarding the decentralized nature of cryptocurrencies, acceptance of cryptocurrencies as an investment instrument as well as a currency for payment, competing cryptocurrencies to Bitcoin, and changes in the Bitcoin algorithm and the mechanism of mining.

#### ***Performance and cost of our products***

The pricing of and demand for our Bitcoin mining machines are closely related to their performance. In general, more advanced process technologies, such as the 7nm and 8nm process technology we designed, can accommodate designs that produce ASICs with higher power efficiency. The introduction of new process and design technologies also enables us to gradually lower the production costs of ASICs with comparable computing power. However, the application of such process technologies also commands high initial setup costs, particularly when the new production techniques first become available, which translates to higher per unit costs. We have successfully and independently completed the design of 6nm ASIC chips and the design of a chip for simultaneous Litecoin and Dogecoin mining in 2021. We are currently focusing on developing our proprietary 5nm-optimized ASIC chips and optimized mining machines for non-Bitcoin cryptocurrencies such as Litecoin. As a result, our new generation ASICs using the most advanced process technologies will need to achieve strong sales in order to justify the initial setup costs of the new production techniques and maintain our profitability. At the same time, as the most advanced production capabilities of IC foundries ramp up, the initial high unit cost for IC fabrication may also decrease, which will likely translate to lower fabrication costs and a positive effect on our business, results of operations and financial condition.

#### ***Competitiveness in research and development***

We are a global blockchain technology and Fintech company with strong ASIC chip design capability, and research and development is key to the success of our blockchain and Fintech products. Our research and development expenses were US\$6.6 million, US\$5.1 million and US\$7.4 million in 2021, 2022 and 2023, respectively. We are constantly researching and developing mining machine chip design, mining machine overall design, while being committed to developing Fintech business based on our strategic development layout. Through unremitting efforts, we have been operating a self-developed proprietary cryptocurrency exchange platform Ebonex. Our exchange is designed to provide users with secure, fast, efficient, and stable trading services in multiple currencies and modes. In order to coordinate the development of our cross-border payment and foreign exchange business, we launched our independently developed platform EbonFX in 2022. While controlling costs and expenses, we will continue to focus on enhancing our product planning and research and development capabilities to enable us to introduce or improve products that can well address evolving customer needs in a timely manner. As existing competitors may introduce new technologies or provide more competitive offerings and more companies may enter the market to compete with us, competition may intensify in the future and consequently our competitiveness and market share may be affected.

### ***Regulatory environment***

We sell mining machines to customers in China and overseas markets. We have historically generated most of our revenues in our blockchain products business from customers in China. We intend to grow our overseas sales in the future. In addition, we also intend to expand into certain new business, such as cryptocurrency mining and farming business, and further expanding into more Fintech businesses. As such, we need to make efforts and incur costs to comply with laws and regulations relating to our business in various jurisdictions. We are subject to certain regulatory uncertainties. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Conducting Business in China— It is now illegal to engage in digital asset transactions including Bitcoin mining operations in China, which ruling may adversely affect us”, “Item 3. Key Information—D. Risk Factors—Risks Relating to Conducting Business in China—Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business, results of operations and financial condition”, “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses—The current regulatory environment in foreign markets, and any adverse changes in those environments, could have material adverse impacts on our blockchain products business and our Fintech business” and “—Overseas Expansion” below. If the PRC government or a government in any other jurisdiction changes its policy or regulations to prevent or limit the development of Bitcoin or cryptocurrencies generally, the price of Bitcoin and the demand for our mining machines as well as the future development of our proposed cryptocurrency related business would decrease or fail, and our business operations and financial results could be adversely affected. Therefore, our ability to comply with government policies and regulations, and to anticipate and respond to potential changes in government policies and regulations will have a significant impact on our business operations and our overall results of operations.

### ***Production capacity***

As a fabless IC design company, we outsource the fabrication process of our ICs to third-party foundry partners, and we outsource the testing and packaging process to third-party testing and packaging partners. We work closely with a limited number of such production partners. We have access to two of the world’s leading wafer foundries. We are also in discussions with another two of the world’s major wafer foundries, in hopes to diversify our supplier sources. We cannot guarantee that our third-party production partners will be able to meet our manufacturing requirements or capacity or that they will not raise their prices. As a result, our ability to quickly respond to market demand and meet production timelines, as well as to price our products competitively, is highly dependent on our collaboration with third-party production partners. If our production partners are unable to meet our production capacity requirements or deliver products that meet our quality standards on a timely basis, our results of operations will be adversely affected. We may also incur significant cash outflow at the early stages of our production process because we are required to make prepayments to some of our third-party production partners to secure their production capacity beforehand, which may affect our liquidity position. In addition, any failure by our third-party production partners to perform their obligations in a timely manner may subject us to counterparty risk and make it difficult or impossible for us to fulfill our customers’ orders, which would harm our reputation and negatively affect our business, results of operations and financial condition.

With our long-established experience and know-how in producing telecommunications products, we have established in-house production capabilities to conduct PCB assembly and system assembly for both mining machines and a wide range of telecommunications products. The volume of our in-house production facilities to conduct PCB assembly and system assembly is largely dictated by the production capacity of our SMT production lines in Hangzhou. We also outsourced some of our production to third-party subcontractors to meet our additional production needs. Our future growth will depend, in part, on our ability to maintain efficient operations at our existing production facilities, our ability to expand our production capacity as needed and the performance of our subcontractors when we are required to outsource part of our production. We seek sufficient production capacity and effectively adjust our production equipment to produce different types of products. We are currently expanding our production capacity by constructing new production facilities, which we expect will increase our capital expenditures and affect our results of operations. Our future growth and results of operations will be affected by our investment in and continual maintenance and upgrading of production facilities.

### ***Expansion and diversification of our product and service offerings***

Our blockchain products business has historically contributed most of our revenues. We intend to diversify our product and service offerings and achieve more stable performance by expanding into the upstream and downstream markets of the blockchain and Fintech industries value chain. We believe if successful, the development our new businesses will be a key driver for our stable and sustainable growth in the future. We intend to establish compliant mining farms overseas to provide centralized services to miners. We also intend to commence proprietary Bitcoin mining overseas by employing our own mining machine inventory during the market downcycles, the success of which depends on many factors, such as the advancement of computing efficiency, the fluctuation of cryptocurrency prices and the popularity of cryptocurrencies in real economy. We expect the costs for preparation and commencement of our proprietary mining to mainly include energy consumption fees.

We have been exploring and developing a cryptocurrency exchange business by launching our self-developed proprietary cryptocurrency exchange platform and a cross-border payment and foreign exchange platform, which enabled us to successfully expand our Fintech business. We continuously apply for compliance licenses in strictly selected regions to facilitate our Fintech businesses. See “—Overseas Expansion” below. Meanwhile, we are focused on application development, regulatory compliance and talent recruitment to ramp up execution of our Fintech business plans for the expansion in these countries. However, if our operations at these jurisdictions or our execution of business plan prove incorrect, we may incur additional expenses or losses.

We also intend to explore the application of blockchain technology into non-cryptocurrency industries. Although we have accumulated extensive industry experience and knowledge in cryptocurrency and blockchain technology industries, we are only at an early stage of executing our plan to launch blockchain-enabled financial business. As a result, our ability to apply our accumulated industry knowledge and operational experience to these new businesses will be critical to our future business growth and prospects. Meanwhile, we may modify aspects of our business model relating to our strategy, including pursuing business opportunities outside of the blockchain and Fintech industries, including the sustainable energy industry. Commencement of all new businesses, however, may also incur significant costs and experience a prolonged ramp-up period. If any adverse development in such new businesses arises, our results of operations and prospects may be significantly and negatively affected. We may not be able to develop those new businesses as successfully as contemplated, or at all.

### ***Product mix***

We develop, manufacture and sell a range of blockchain and telecommunications products. The sales of blockchain products accounted for 77.3%, 79.8% and 5.5% of our total revenues for 2021, 2022 and 2023, respectively, and the sales of telecommunications products accounted for 16.7%, 11.6% and 10.6% of our total revenues for 2021, 2022 and 2023. In addition to the impact of the COVID-19 pandemic in previous years, the high fluctuations in Bitcoin prices, as well as a series of events including bankruptcy of cryptocurrency banks in the United States and exposure of certain fraudulent events on trading platforms, which caused an overall negative impact on the cryptocurrency market, have led to a significant decline in the performance of our blockchain product sales business. We adjust our business development direction in real-time based on the constantly changing market environment and opportunities to ensure cost reduction and an improvement on efficiency. Starting 2022, we have ventured into the Fintech field by launching our cryptocurrency currency exchanges and cross-border payment businesses. As we are still at an early stage of development of this business sector, the Fintech service businesses accounted for 8.3% and 75.8% of our total revenue for 2022 and 2023, respectively.

## Overseas Expansion

From August 2020 to February 2023, we established our wholly-owned subsidiaries in Canada, Australia, Singapore, Hong Kong, the Bahamas, New Zealand and Malaysia to apply for Fintech business related licenses and wholly-owned subsidiaries in the United States in accelerating the construction of compliant mining farms in North America. We carefully selected these countries and/or regions because of what we believe to be a Fintech-friendly regulatory environment. As of the date of this annual report, we have received the MSB License from the Financial Transactions and Reports Analysis Centre of Canada, which allows us to engage in foreign exchange dealing, money transferring and dealing in virtual currencies in Canada; received registration approval from AUSTRAC as digital currency exchange provider, which allows us to provide cryptocurrency exchange services in Australia; acquired a company with an AFSL for engaging in financial services in Australia; received registration approval as an independent remittance dealer on the AUSTRAC Remittance Sector Register, which allows us to provide remittance services in Australia; received the TCSP license and registration approval as a Trust Company from the Company Registry in Hong Kong, which allows us to carry on a trust or company service business; received the MSO license from the Customs and Excise Department in Hong Kong, which allows us to operate money changing and remittance services; received the Type 4 and 9 licenses from the Securities and Futures Commission in Hong Kong, which allows us to carry on advising on securities and asset management service; and registered as a Digital Asset Business and a Firm Dealing in Securities as Agent or Principal, Arranging Deals, Managing Securities and Advising on Securities from the Securities Commission of the Bahamas, which allows us to carry on digital asset business activities and securities activities in and from the Commonwealth of the Bahamas. As of the date of this annual report, we have been operating a self-developed proprietary cryptocurrency exchange platform Ebonex and a self-developed proprietary cross-border payment and foreign exchange platform, EbonFX, targeting qualified investors subject to compliance with applicable laws in the jurisdictions EbonFX operates. We are also in the process of obtaining additional and/or relevant licenses and approvals for our subsidiaries in Singapore, Hong Kong, Australia, New Zealand and Malaysia. If and once obtained, the licenses will allow us to operate additional Fintech businesses in such countries and regions. Meanwhile, we are focused on application development, regulatory compliance and talent recruitment to ramp up execution of our new business plans for the expansion in these countries. We expect such ramp-up will support our future operations and our compliance with local rules and regulations. Our expenses to date to implement our new business plans, including establishing in Canada, Australia, Singapore, Hong Kong, the Bahamas, New Zealand, the United States and Malaysia, have been mainly on server rentals, application development, regulatory compliance, talent acquisition and offices rentals to set up blockchain and Fintech businesses in the abovementioned countries and regions. There is no guarantee that we will receive any additional required approvals and licenses for our proposed business in these jurisdictions in a timely manner or on commercially reasonable terms, or at all, or that we will commence the proposed business as planned, or at all. If our operations at these jurisdictions or our execution of business plan proves incorrect, we may incur additional expenses or losses.

Any restrictions imposed by a foreign government could force us to restructure operations, perhaps significantly, which could result in significant costs and inefficiencies that harm our profitability, or even cause us to cease operations in the applicable jurisdiction. Fintech is a recent technological innovation and the regulatory schemes to which Fintech businesses may be subject have not been fully explored or developed by foreign jurisdictions. Thus, Fintech faces an uncertain regulatory landscape in many foreign jurisdictions. Various foreign jurisdictions may from time to time adopt laws, regulations or directives that affect our Fintech businesses. Due in part to its international nature and the nascent stage of regulation, along with the limited experience with Fintech, and language barriers between international journalists, translators and regulators, information regarding the regulation of Fintech in various jurisdictions may be incomplete, inaccurate or unreliable. As both the regulatory landscape develops and journalistic familiarity with Fintech increases, mainstream media's understanding of Fintech and the regulation thereof may improve. As we enter into the markets in Australia, Singapore, Hong Kong, the Bahamas, New Zealand, the United States and Malaysia, we expect to continue to monitor the local regulations regarding Fintech service platforms and retain local regulatory counsels. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses —The current regulatory environment in foreign markets, and any adverse changes in those environments, could have material adverse impacts on our blockchain products business and our Fintech business," "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses—If we are unable to manage our growth or execute our strategies effectively, our business, results of operations and financial condition may be materially and adversely affected" and "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Fintech and Blockchain Product Businesses—We may not successfully develop, market or launch any future Fintech businesses or continue operating our existing Fintech businesses" for details of the associated risks.

## Key Components of Results of Operations

### Revenues

Revenues represent the sales of goods supplied and services provided to customers in our blockchain products and telecommunications businesses, and provision of management and maintenance services to our customers, as well as revenues from Fintech businesses which comprise cryptocurrency exchange services and cross-border payment and foreign exchange services provide to our customers. We used to generate revenues primarily from our blockchain products business and mining machine hosting services, mainly including sales of Bitcoin mining machines and related accessories and mining machine hosting services. We halted all mining machine custody services in the PRC at the end of April 2021. The combined impact of COVID-19 and fluctuations of the cryptocurrency price significantly affected the expected returns on Bitcoin related activities such as mining, and in turn resulted in a much lower demand and average selling price of our Bitcoin mining machines. In 2021, the spreading of COVID-19 continued to disrupt our raw material supplies; however, the price of Bitcoin maintained a high level with volatility, and investors returned to digital currency and blockchain investment, which had had a positive impact on the market. The continuous decline in Bitcoin prices in 2022, large cryptocurrency exchanges declaring bankruptcy in 2023 and the exposure of certain fraudulent events on trading platforms have made market participants more cautious and reduced their enthusiasm to participate in cryptocurrency related market activities. Since we launched our Fintech business, we have vigorously expanded related businesses and product lines to ensure the steady development of our Fintech business, however, we are still at an early stage of development of our Fintech businesses as of the date of this annual report. We adjusted and shall continue to adjust our strategy, including allocating resources, and controlling costs and expenses, based on changes in market conditions at any given time.

The following table sets forth the breakdown of our revenues by category, both in absolute amount and as a percentage of total revenues for each category for the periods indicated:

	Years Ended December 31,					
	2021		2022		2023	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
Product sales – Bitcoin mining machines and related accessories	39,756	77.3	25,800	79.8	266	5.5
Product sales – Telecommunications	8,567	16.7	3,737	11.6	516	10.6
Service – Cryptocurrency exchange service	-	-	70	0.2	1,044	21.5
Service – Management and maintenance <sup>(1)</sup>	3,127	6.0	86	0.3	392	8.1
Service – Cross-border payment and foreign exchange services	-	-	2,635	8.1	2,637	54.3
<b>Total</b>	<b>51,450</b>	<b>100</b>	<b>32,328</b>	<b>100</b>	<b>4,855</b>	<b>100</b>

(1) Primarily includes service fee of mining machine hosting services, maintenance services and training services. As we halted all mining machine custody services in the PRC at the end of April 2021, we no longer generate revenue from mining machine hosting services starting from April 2021. The breakdown of service revenues is set forth below for the periods indicated:

	Years Ended December 31,					
	2021		2022		2023	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
Mining machine hosting services	2,814	90.0	-	-	-	-
Maintenance services and others	258	8.2	79	91.4	383	97.8
Training services	55	1.8	7	8.6	9	2.2
<b>Total</b>	<b>3,127</b>	<b>100.0</b>	<b>86</b>	<b>100</b>	<b>392</b>	<b>100</b>

We have historically generated a significant portion of our revenues from sales in China. However, with the layout of our overseas development strategy, after launching our Fintech business, our overseas market share has slightly rebounded in 2022 and increased significantly in 2023, accounting for 75.8% of all revenue in 2023. The following table sets forth the breakdown of our revenues by geographical location of our customers, both in absolute amount and as a percentage of total revenue, for the periods indicated:

	Years Ended December 31,					
	2021		2022		2023	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
Mainland China	51,433	100.0	29,624	91.6	1,174	24.2
Australia	-	-	2,704	8.4	3,681	75.8
Other countries and regions	17	-	-	-	-	-
<b>Total</b>	<b>51,450</b>	<b>100.0</b>	<b>32,328</b>	<b>100.0</b>	<b>4,855</b>	<b>100.0</b>

### *Product Sales – Bitcoin Mining Machines and Related Accessories*

Revenues from sales of blockchain products primarily comprises sales of Bitcoin mining machines and accessories. We generated 77.3%, 79.8% and 5.5% of our revenue from sales of Bitcoin mining machines and related accessories in 2021, 2022 and 2023, respectively. Generally, revenues from sales of our Bitcoin mining machines and related accessories are primary affected by the number of Bitcoin mining machines sold and their average selling price.

The selling price of our Bitcoin mining machines changes from period to period and is primarily affected by the Bitcoin price and expected economic returns on Bitcoin mining activities, and the performance of the mining machines.

The Bitcoin price and expected economic returns on Bitcoin mining activities could significantly affect the demand of mining machines and in turn the average selling price of Bitcoin mining machines. See “—Key Factors Affecting Our Results of Operations” for details of factors affecting economic return on Bitcoin mining activities and the market demands. Particularly, a significant fluctuation in Bitcoin price in a short period of time could significantly reverse the trend of average selling price of Bitcoin mining machines in certain periods of time. The significant decline in Bitcoin prices in the third and fourth quarters of 2021, which continued through 2022, and the high price fluctuation in 2023, significantly affected the selling price of our Bitcoin mining machines. Meanwhile, the combined impact of the collapse of cryptocurrency banks in the United States, and the exposure of certain fraud incidents on trading platforms in 2023, has had a negative impact on investor participation in the market, thereby affecting the selling price and demand of Bitcoin mining machines for the fiscal year ended December 31, 2023. Our revenue generated in 2023 is mainly related to the sale of Bitcoin mining machine accessories.

### *Product Sales –Telecommunications*

Revenues from our telecommunications business primarily comprises sales of fiber-optic communication access devices and enterprise convergent communication terminals. We also produce and sell a small portion of related parts and accessories. Sales of our telecommunications products are primarily driven by the demand from the major telecommunications service providers in China as end users. Sales of telecommunications products could also be affected by any adjustment of our business focus and sales and marketing efforts from time to time. Changes in the mix of our telecommunications products sold could also affect the gross profit margin in the telecommunications business.

### *Service - Management and Maintenance*

Revenues from our management and maintenance services include service fees for provision of mining machine hosting services to buyers of our Bitcoin mining machines, and provision of maintenance and other services.

We historically generated service revenues mainly from mining machine hosting services and other maintenance services. Revenues from provision of mining machine hosting services was US\$2.8 million, nil and nil in 2021, 2022 and 2023, representing 90.0%, 0% and 0% of our total service revenues, respectively. We provided mining machine hosting services only to buyers of our Bitcoin mining machines, and typically entered into separate service agreements with these buyers for such services. We have halted all mining machine custody services in the PRC at the end of April 2021. Since then, our service revenues have been mainly generated from utilizing existing production capacity to provide processing services to customers.

### *Service - Cryptocurrency exchange*

Revenue from our cryptocurrency exchange service for 2023 was mainly generated from facilitating the customers’ transactions via our proprietary exchange platform or through an offline, OTC transaction facilitation process.

Cryptocurrency transactions were matched on our proprietary exchange platform when a customer publishes an offer to buy, sell or convert cryptocurrencies, and another customer accepts and settles that offer. We charge a service fee in fiat currency or cryptocurrencies at the transaction level in amount calculated based on volume, which varies depending on the payment type and the value of the transaction. We also provide cryptocurrency exchange services through our OTC execution by acting as an agent and providing transaction matching to the customers’ offers through the utilization of liquidity providers. In the case when a customer raises the need to buy cryptocurrencies, we will help the customer search for a matching need to sell the same quantity of cryptocurrencies from a liquidity provider. When we find such a liquidity provider, we ask for the selling rate, then apply a margin to the rate and offer to the customer. If the customer agrees to the rate, we facilitate the transaction. Revenue generated from the matching transaction through OTC facilitation is generated from the margin resulting from the rate set by the liquidity provider and the transaction price is charged and collected in fiat currency.

### *Service - Cross-border payment and foreign exchange services*

Revenue from our cross-border payment and foreign exchange services include service transaction fee charges when we provide customers with the payment and exchange service.

In order to coordinate the development of our global payment business, we launched our independently developed cross-border payment and foreign exchange platform EbonFX to provide qualified customers with cross-border payment and foreign exchange services. For the majority of the cross-border payment and foreign exchange services, customers shall agree to the terms and conditions for all transactions, either at the time of initiating a transaction or signing a contract with us to provide payment services on the customer’s behalf. Revenue is measured as the difference between the exchange rate set by the Company to the customer and a rate available in the wholesale foreign exchange market.

### **Cost of Revenues**

Cost of revenues for our mining machines and telecommunications products represents costs and expenses directly attributable to the manufacture of our products sold and delivered, which primarily comprises of costs of (1) raw materials, components and parts including wafers; (2) production overhead, including mainly packaging and testing costs, subcontracting cost, amortization and depreciation of intangible assets, production equipment and utilities; and (3) direct labor, including cost to our production staff and outsourced production workers.

Cost of revenues for mining machine hosting services provided by us primarily consists of space leasing fees, infrastructure and equipment related expense, utility expenses and salaries paid to related staff.

Cost of cryptocurrency exchange and the cross-border payment and foreign exchange services primarily consists of commission paid to direct sales staff and service fees paid to transaction processors before we launched our self-developed cross-border payment and foreign exchange platform, EbonFX.

The following table sets forth the breakdown of our cost of revenues by category, both in absolute amount and as a percentage of the cost of revenues, for the periods indicated:

	Years Ended December 31,					
	2021		2022		2023	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
Product sales – Bitcoin mining machines and related accessories	15,275	68.7	6,343	37.5	17,004	78.9
Product sales – Telecommunications	6,505	29.3	6,170	36.5	1,347	6.2
Service - Cryptocurrency exchange services	-	-	58	0.4	741	3.4
Service – Management and maintenance services	447	2.0	2,833	16.7	581	2.7
Service - Cross-border payment and foreign exchange services	-	-	1,512	8.9	1,886	8.8
<b>Total</b>	<b>22,227</b>	<b>100.0</b>	<b>16,916</b>	<b>100.0</b>	<b>21,559</b>	<b>100.0</b>

#### Gross Profit/Loss

Historically, our gross profit/loss of sales of Bitcoin mining machines were primarily affected by Bitcoin prices, which had a significant effect on the average selling price of our products, and, to a lesser extent, the average per unit production costs of our Bitcoin mining machines, which in turn resulted in a much lower demand and average selling price of our Bitcoin mining machines, thereby leading to lower revenues. A decrease in the Bitcoin price and expected economic returns of Bitcoin mining activities could lead to an increase in write-downs for the potentially obsolete, slow-moving inventories and lower of cost or market adjustment as a result of stagnant demand and decrease in average selling price for our Bitcoin. Due to the significant impact of COVID-19 from 2021 through 2022 and continued fluctuation in cryptocurrency prices in 2023, which in turn resulted in a significant decrease in both the selling price and demand of our Bitcoin mining machines, we recorded a write-down for the potentially obsolete, slow-moving inventories and lower of cost or market adjustment of US\$2.2 million, US\$6.5 million and US\$0.3 million in 2021, 2022 and 2023, respectively. Since 2021 and throughout 2022, the prospects of trade wars, raw material/chip sanctions and the spread of COVID-19 variants contributed to volatility in the markets. In 2023, the cryptocurrency market presented both opportunities and risks, with many variables including evolving regulation and fraud incidents. The collapse of certain cryptocurrency banks in the United States, and the exposure of certain fraud incidents on trading platforms in 2023 made investors more cautious to participate in the digital currency and blockchain investment markets, resulting in a decline in our sales. However, in during such years, the majority of our sales revenue has been generated from litigation recoveries, resulting in a gross profit margin that does not match the industry level. Refer to our discussion on revenues above.

Our gross profit/loss and gross profit/loss margin of mining machine hosting services and processing services provided by us are primarily affected by the average service fees that we charge our customers.

Our gross profit/loss and gross profit/loss margin of sales of telecommunications products are primarily affected by the market price of the product and our cost of revenues.

Our gross profit and gross profit margin of cryptocurrency exchange services and the cross-border payment and foreign exchange services are primarily affected by the market price of the third-party service provider, amount of fixed direct labor cost and percentage of commissions that we paid to sales employees.

The following table sets forth our gross profit/loss by category for the periods indicated:

	Years Ended December 31,		
	2021	2022	2023
	US\$	US\$	US\$
	(in thousands)		
Product sales – Bitcoin mining machines and related accessories	24,481	19,457	(16,738)
Product sales – Telecommunications	2,062	(2,433)	(831)
Service - Cryptocurrency exchange services	-	28	303
Service – Management and maintenance services	2,680	(2,763)	(189)
Service - Cross-border payment and foreign exchange services	-	1,123	751
<b>Total</b>	<b>29,223</b>	<b>15,412</b>	<b>(16,704)</b>

## Operating Expenses

The following table sets forth our operating expenses, both in absolute amount and as a percentage of the total operating expenses, for the periods indicated:

	Years Ended December 31,					
	2021		2022		2023	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
Selling expenses	1,419	5.2	1,956	3.1	1,894	5.1
General and administrative expenses <sup>(1)</sup>	25,774	94.8	40,712	64.2	29,041	78.6
Impairment of intangible assets	-	-	20,738	32.7	3,708	10.0
Impairment of goodwill	-	-	-	-	2,300	6.3
<b>Total operating expenses</b>	<b>27,193</b>	<b>100.0</b>	<b>63,406</b>	<b>100.0</b>	<b>36,943</b>	<b>100.0</b>

(1) Includes research and development expenses and other general and administrative expenses. See “Item 5. Operating and financial review and prospects—Results of Operations—Operating Expenses—General and Administrative Expenses” for details.

### Selling expenses

Selling expenses include (1) sales service costs incurred from provision of customer services; (2) traveling costs of our sales and marketing staff and transportation costs for delivery of blockchain and telecommunications products; (3) salaries and benefits of our sales and marketing staff; and (4) other costs, such as conference costs and lease payments for our sales offices.

### General and administrative expenses

General and administrative expenses primarily include research and development expenses and administrative expenses. Administrative expenses include primarily (1) professional fees, mainly legal service fees and consultant service fees for the provision of financing and listing related services to us; (2) salaries and benefits of our management, finance, operations and other staff and outsourced administrative staff; (3) other miscellaneous administrative expenses, such as bad debt expense, entertainment expense, utilities, and rental and office expenses; and (4) depreciation expense of property, plant and equipment, and amortization expense.

Research and development expenses primarily include (1) production and procurement expenses for producing prototypes and procuring tools for IC chip design; (2) technical expenses, primarily comprising outsourcing research and development expenses relating to development of certain non-core technologies for our mining machines and telecommunications products, such as wafer fabrication and packaging and testing for ASIC chips, design of user interface, management and structural module and secondary development of certain modules and software development; (3) salaries and benefits of our research and development staff; and (4) depreciation and amortization of non-patent technology.

### Impairment of intangible assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We assess the recoverability of the assets based on the undiscounted future cash flows the assets are expected to generate and recognizes an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from the disposition of the asset, if any, are less than the carrying value of the asset.

### Impairment of goodwill

Goodwill, arising from business combination, is reviewed for impairment annually. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. We have recorded impairment of goodwill of US\$2.3 million, nil, and nil for the year ended December 31, 2023, 2022 and 2021, respectively.

## Taxation

### Cayman Islands

Under the current laws of the Cayman Islands, Ebang International is not subject to tax on income or capital gain. Additionally, upon payment of dividends to the shareholders, no Cayman Islands withholding tax will be imposed.

### British Virgin Islands

Our subsidiaries incorporated in the British Virgin Islands, primarily Orient Plus International Limited, Power Ebang Limited, Tower Lead Limited, Summit King Limited, Ebang Communication Limited, Ebonex International Limited, and Leader Forever Holdings Limited are incorporated in the BVI and under the current laws of the British Virgin Islands, are not subject to tax on income or capital gain. In addition, payments of dividend by these subsidiaries to their shareholders are not subject to withholding tax in the BVI.

## ***Australia***

Our subsidiaries incorporated in Australia are subject to Australian Tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant Australia tax laws. The Australian Income Tax had significant changes progressively since June 30, 2017. From July 1, 2022, companies that are base rate entities must apply the 25% company tax rate. A company is a base rate entity for an income year if (1) the company's aggregated turnover for that income year is less than AUD50 million of that income year, and (2) it has 80% or less of their assessable income in that income year that is base rate entity passive income. Thus the applicable tax rate is 25% for the Company on assessable profits arising in or derived from Australia.

## ***Hong Kong***

Our subsidiaries incorporated in Hong Kong, primarily HK Ebang Communications, HongKong Ebang Technology Co., Limited ("HK Ebang Technology"), HongKong Ebang Information Co., Limited ("HK Ebang Information"), HK Ebang Digital, Ebang Digital Asset Management Limited ("Ebang Digital Asset Management"), Ebang Digital Asset Custody Limited ("Ebang Digital Asset Custody"), Ebang Trust and Ebang Financial Services Limited ("Ebang Financial Services") are incorporated in Hong Kong and are subject to Hong Kong Profits Tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate is 8.25% on assessable profits arising in or derived from Hong Kong up to HKD2,000,000 and 16.5% on any part of assessable profits over HKD2,000,000.

## ***PRC***

The Company's subsidiaries incorporated in the PRC are governed by the income tax laws of the PRC and the income tax provision in respect to operations in the PRC is calculated at the applicable tax rates on the taxable income for the periods based on existing legislation, interpretations and practices in respect thereof. Under the Enterprise Income Tax Laws of the PRC (the "EIT Laws"), domestic enterprises and Foreign Investment Enterprises (the "FIE") are usually subject to a unified 25% enterprise income tax rate while preferential tax rates, tax holidays and even tax exemption may be granted on case-by-case basis. EIT grants preferential tax treatment to certain High and New Technology Enterprises ("HNTEs"). Under this preferential tax treatment, HNTEs are entitled to an income tax rate of 15%, subject to a requirement that they re-apply for HNTE status every three years. For the years ended December 31, 2023, 2022 and 2021, Zhejiang Ebang, Hangzhou Dewang, and Ebang IT were qualified as HNTE and entitled to a preferential income tax rate of 15%.

According to the relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The State Taxation Administration of the PRC announced in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2020, which was subsequently announced in March 2021 to be further extended to December 31, 2023. In September 2022, the State Taxation Administration of the PRC further announced that for the enterprises entitled to the current pre-tax deduction ratio of 175% for research and development expenses, such ratio is raised to 200% during the period from October 1, 2022 to December 31, 2022.

We were subject to VAT at a rate of 17% for the period from beginning of 2018 until end of April 2018, of 16% from May 2018 to the end of March 2019, and of 13% since April 2019 on the gross sales price of our products, less any deductible VAT we have already paid or borne. Entities that are VAT general taxpayers may offset qualified input VAT paid to suppliers against their output VAT liabilities. Net VAT balance between input VAT and output VAT is recorded as VAT payable if output VAT is larger than input VAT, and is recorded as VAT recoverable if input VAT is larger than output VAT. All the VAT returns filed by our subsidiaries in China, have been and remain subject to examination by the tax authorities. Zhejiang Ebang and Ebang IT are qualified as enterprises of selling self-developed software products and enjoying a tax refund for the excess of 3% of their actual tax burden after the VAT is levied at the 17% or 16% or 13% tax rate since January 2011.

Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding companies in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entities satisfy all the requirements under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and receives approval from the relevant tax authority, in which case the dividends paid to the Hong Kong subsidiaries would be subject to withholding tax at the preferential rate of 5%. Effective from November 1, 2015, the above-mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. If the PRC tax authorities determine that our Cayman Islands holding company is a "resident enterprise" for PRC EIT purposes, a number of unfavorable PRC tax consequences could follow. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Conducting Business in China —We may be subject to EIT on our worldwide income if our company or any of our subsidiaries were considered a PRC "resident enterprise" under the PRC Enterprise Income Tax Law, or the EIT Law."

## Results of Operations

The following table sets forth our selected consolidated profit or loss data in absolute amount, for the periods indicated. This information should be read together with our audited consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Years Ended December 31,		
	2021	2022	2023
	US\$	US\$	US\$
	(in thousands)		
<b>Revenues</b>	<b>51,450</b>	<b>32,328</b>	<b>4,855</b>
Product sale - Bitcoin mining machines and related accessories	39,756	25,800	266
Product sale - Telecommunications	8,567	3,737	516
Service - Cryptocurrency exchange services	-	70	1,044
Service - Management and maintenance	3,127	86	392
Service - Cross-border payment and foreign exchange services	-	2,635	2,637
Cost of revenues	(22,227)	(16,916)	(21,559)
<b>Gross profit (loss)</b>	<b>29,223</b>	<b>15,412</b>	<b>(16,704)</b>
<b>Operating expenses:</b>			
Selling expenses	1,419	1,956	1,894
General and administrative expenses	25,774	40,712	29,041
Impairment of intangible assets	-	20,738	3,708
Impairment of goodwill	-	-	2,300
<b>Total operating expenses</b>	<b>27,193</b>	<b>63,406</b>	<b>36,943</b>
Gain on disposal of subsidiaries	-	(6)	(8)
<b>Income (Loss) from operations</b>	<b>2,030</b>	<b>(47,988)</b>	<b>(53,639)</b>
<b>Other income (expenses):</b>			
Interest income	1,780	4,362	11,941
Interest expenses	(4)	-	-
Other income	133	1,034	1,131
Gain (Loss) from investment	(3,657)	(510)	357
Net gain on disposal of cryptocurrency assets	-	-	745
Exchange gain (loss)	1,780	(2,161)	457
Government grants	435	82	63
Other expenses	(108)	(649)	(120)
<b>Total other income</b>	<b>359</b>	<b>2,158</b>	<b>14,574</b>
<b>Income (loss) before income taxes provision (benefit)</b>	<b>2,389</b>	<b>(45,830)</b>	<b>(39,065)</b>
Income taxes benefit	(379)	(73)	(1,031)
<b>Net income (loss)</b>	<b>2,768</b>	<b>(45,757)</b>	<b>(38,034)</b>
Less: net loss attributable to non-controlling interest	(1,663)	(1,869)	(1,261)
<b>Net income (loss) attributable to Ebang International Holdings Inc.</b>	<b>4,431</b>	<b>(43,888)</b>	<b>(36,773)</b>

### Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

**Revenues.** Our revenues decreased by 85.0% to US\$4.9 million in 2023, from US\$32.3 million in 2022, primarily due to: (1) the bankruptcy of virtual currency banks in the United States and the exposure of certain fraud incidents on international trading platforms, which led market participants to become increasingly cautious in their investments in cryptocurrency related products and services in 2023, and (2) the absence in 2023 of revenue derived from an one-time payment corresponding to the recognition of RMB173.4 million in revenue in 2022 following our receipt of RMB173.4 million (approximately US\$25.8 million) payment from two former customers as a result of court mediations.

**Cost of revenues.** Our cost of revenues increased by 27.4% to US\$21.6 million in 2023, from US\$16.9 million in 2022, which is primarily due to VAT recoverable impairment of US\$16.7 million, which was recognized in cost of revenue in 2023, as it is expected that VAT will not be recovered in the foreseeable future. This was offset by a decrease of inventory impairment from US\$6.5 million in 2022 to US\$0.3 million in 2023. In a market with both opportunities and risks, we constantly adjust our development strategy, allocate resources, and control costs and expenses based on changes in the market condition, in order to avoid unnecessary expenses.

**Gross profit (loss).** As a result of the foregoing, we recorded a gross loss of US\$16.7 million in 2023, compared to a gross profit US\$15.4 million in 2022.

*Operating expenses.* Our total operating expenses decreased by 41.7% to US\$36.9 million in 2023, from US\$63.4 million in 2022, primarily due to decreases in both selling expenses and general and administrative expenses.

- *Selling expenses.* Our selling expenses decreased by 3.2% to US\$1.9 million in 2023, from US\$2.0 million in 2022, mainly due to decreased advertising and marketing expenses in relation to our Fintech businesses.
- *General and administrative expenses.* Our general and administrative expenses decreased by 28.7% to US\$29.0 million in 2023, from US\$40.7 million in 2022, primarily due to decreases in amortization expenses and stock-based compensation expenses.
- *Impairment of intangible assets.* Our impairment of intangible assets was US\$3.7 million in 2023, which was related to an impairment loss charged on a financial license in 2023.
- *Impairment of goodwill.* Our impairment of goodwill in 2023 represents the impairment loss charged on goodwill generated from a business acquisition that closed in March 2022 as a result of the annual goodwill impairment review.

*Gain from disposal of subsidiaries.* Our gain from disposal of subsidiaries increased by 33.3% to US\$0.008 million in 2023, from US\$0.006 million in 2022. The US\$0.008 million in 2023 was related to disposal of EBONEX PTE. LTD., and the US\$0.006 million in 2022 was related to disposal of Hangzhou Ebang Hongling Technology Co., Ltd. (“Ebang Hongling”) and Wuhai Ebang Information Technology Co., Ltd. (“Wuhai Ebang”). As there is no relationship between these two, there is no causal effect in the change in the amount between the years.

*Loss from operations.* As a result of the foregoing, our loss from operations increased by 11.8% to US\$53.6 million in 2023, compared to loss from operations of US\$48.0 million in 2022.

*Interest income.* Our interest income increased by 173.8% to US\$11.9 million in 2023, from US\$4.4 million in 2022, primarily due to utilizing more funds in the purchase of fixed deposits in 2023.

*Other income.* Our other income increased by 9.4% to US\$1.1 million in 2023 from US\$1.0 million in 2022. Other income in 2023 was primarily due to the Company taking possession of customer deposits collected from previous years as a result of defaults by customers under their respective contracts with the Company in 2023.

*Gain (loss) from investment.* Our gain from investment increased 170.0% to US\$0.4 million in 2023, from an investment loss of US\$0.5 million in 2022, mainly due to an investment gain incurred from marketable securities in 2023, while we incurred an investment loss from marketable securities in 2022.

*Net gain on disposal of cryptocurrency assets.* Our net gain on disposal of cryptocurrency assets increased 100% to US\$0.7 million in 2023, from nil in 2022, mainly due to the sales of crypto assets held on hand in 2023.

*Exchange gain (loss).* Our exchange gain was US\$0.5 million in 2023, compared to the exchange loss of US\$2.2 million in 2022, primarily due to the currency fluctuation on our foreign currency denominated assets and liabilities.

*Government grants.* Our government grants decreased by 23.2% to US\$0.06 million in 2023, from US\$0.08 million in 2022, primarily due to the decrease of non-recurring rebates from local government.

*Income taxes benefit.* Our income taxes benefit increased by 1,312.3% to US\$1 million in 2023, compared to US\$0.07 million in 2022, primarily due to the reversal of deferred tax liability relating to the impairment of intangible assets recognized from a business acquisition that closed in March 2022.

*Net loss.* As a result of the foregoing, our net loss decreased to US\$38.0 million in 2023, from a net loss of US\$45.8 million in 2022.

## ***Year Ended December 31, 2022 Compared to Year Ended December 31, 2021***

**Revenues.** We recognized RMB173.4 million in revenue in 2022 following our receipt of RMB173.4 million (approximately US\$25.8 million) payment from two former customers as a result of court mediations. Our revenues decreased by 37.2% to US\$32.3 million in 2022 from US\$51.5 million in 2021, primarily due to the following reasons: (1) Bitcoin price's continued decrease and large cryptocurrency exchange platforms declaring bankruptcy in 2022 led to market participants being increasingly cautious in investment; (2) Our chip suppliers reduced their production capacity due to the impact of COVID-19, resulting in our inability to produce at full capacity, insufficient inventory and inability to meet the market demand. With limited raw materials, we optimized the hardware structure to ensure our products' competitiveness; and (3) We halted all mining machine custody services in the PRC at the end of April 2021, which resulted in nil in revenue in this segment for 2022.

**Cost of revenues.** Our cost of revenues decreased by 23.9% to US\$16.9 million in 2022, from US\$22.2 million in 2021, which is primarily due to a decrease in cost of revenues as a result of a decrease in sales. Our cost of revenues for 2022 primarily consists of (1) an impairment charge on write-downs for the potentially obsolete, slow-moving inventory and lower of cost or market; and (2) a VAT recoverable impairment of \$4.5 million recorded in 2022, which was mainly associated with the disposal of Wuhai Ebang.

**Gross profit.** As a result of the foregoing, we recorded a gross profit of US\$15.4 million in 2022, compared to US\$29.2 million in 2021.

**Operating expenses.** Our total operating expenses increased by 133.2% to US\$63.4 million in 2022, from US\$27.2 million in 2021, primarily due to increases in both selling expenses and general and administrative expenses.

- **Selling expenses.** Our selling expenses increased by 37.8% to US\$2.0 million in 2022, from US\$1.4 million in 2021, mainly due to increased advertising and marketing expenses occurred in relation to the development of our Fintech businesses.
- **General and administrative expenses.** Our general and administrative expenses increased by 58.0% to US\$40.7 million in 2022, from US\$25.8 million in 2021, primarily due to increases in amortization expenses relating to intangible assets and employee stock ownership plan related expenses.
- **Impairment of intangible assets.** Our impairment of intangible assets increased by 100.0% to US\$20.7 million in 2022, from nil in 2021, primarily due to the impairment loss charged on our patents.

**Gain from disposal of subsidiaries.** Our gain from the disposal of subsidiaries increased by 100% to US\$0.006 million in 2022 from nil in 2021, primarily due to the disposal of Ebang Hongling and Wuhai Ebang during 2022.

**Income (loss) from operations.** As a result of the foregoing, our loss from operations was US\$48.0 million in 2022, compared to income from operation of US\$2.0 million in 2021.

**Interest income.** Our interest income increased by 145.1% to US\$4.4 million in 2022, from US\$1.8 million in 2021, primarily due to the interest income from our investments in term deposit and financing products in 2022.

**Other income.** Our other income increased by 674.4% to US\$1.0 million in 2022 from US\$0.1 million in 2021. Other income in 2022 was primarily due to preexisting liabilities being exempt before the deregistration of a subsidiary.

**Loss from investment.** Our loss from investment decreased by 86.1% to US\$0.5 million in 2022, from loss from investment of US\$3.7 million in 2021, mainly due to an investment loss of \$3.9 million incurred from marketable securities in 2021 and only US\$0.6 million incurred in 2022.

**Exchange gain (loss).** Our exchange loss was US\$2.2 million in 2022, compared to the exchange gain with the amount of US\$1.8 million in 2021, primarily due to the currency fluctuation on our foreign currency denominated assets and liabilities.

**Government grants.** Our government grants decreased by 81.2% to US\$0.08 in 2022, from US\$0.4 million in 2021, primarily due to the decrease of non-recurring rebates from local government.

**Income taxes benefit.** Our income taxes benefit decreased by 80.7% to US\$0.07 million in 2022, compared to US\$0.4 million in 2021, primarily due to the allowance on the deferred tax assets based on the economic forecast of the Company's operation in relation to the realization of such deferred tax assets.

**Net income (loss).** As a result of the foregoing, our net loss decreased to US\$45.8 million in 2022, from a net income of US\$2.8 million in 2021.

## B. Liquidity and capital resources

Our primary source of liquidity historically has been cash generated from our business operations, bank loans, equity contributions from our shareholders and borrowings, which have historically been sufficient to meet our working capital and capital expenditure requirements.

As of December 31, 2023 and 2022, our cash and cash equivalents were US\$241.6 million and US\$251.3 million. Our cash and cash equivalents primarily consist of cash on hand, demand deposits and time deposits placed with banks or other financial institutions and have original maturities of less than three months.

We believe that our existing cash and cash equivalents, anticipated cash raised from financings, and anticipated cash flow from operations, will be sufficient to meet our anticipated cash needs for the next 12 months from the date of this annual report. We may, however, decide to enhance our liquidity position or increase our cash reserve for future investments through additional capital and finance funding. We may need additional cash resources in the future if we experience changes in business conditions or other developments, or if we find and wish to pursue opportunities for investments, acquisitions, capital expenditures or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue equity or debt securities or obtain credit facilities. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

Our ability to manage our working capital, including receivables and other assets and liabilities and accrued liabilities, may materially affect our financial condition and results of operations.

The following table sets forth our selected consolidated cash flow data for the periods indicated:

	Years Ended December 31,		
	2021	2022	2023
	US\$	US\$	US\$
	(in thousands)		
Net cash provided by (used in) operating activities	(15,850)	4,297	(11,653)
Net cash provided by (used in) investing activities	(6,511)	6,609	2,753
Net cash provided by financing activities	248,284	-	-
Effect of foreign exchange on cash, cash equivalents and restricted cash	880	394	(407)
Net increase (decrease) in cash, cash equivalents and restricted cash	226,803	11,300	(9,307)
Cash, cash equivalents and restricted cash at the beginning of the year	14,124	240,927	252,227
<b>Cash, cash equivalents and restricted cash at the end of the year</b>	<b>240,927</b>	<b>252,227</b>	<b>242,920</b>

### ***Operating Activities***

Net cash used in operating activities for 2023 was US\$11.7 million, which primarily reflected our net loss of US\$38.0 million, as mainly adjusted for (1) depreciation and amortization expenses of US\$3.5 million, (2) write-down for the potentially obsolete, slow-moving inventories and lower of cost or market adjustment of US\$0.3 million, (3) impairment of VAT recoverable adjustments of US\$16.7 million, (4) provision of credit loss of US\$1.0 million, (5) gain on foreign currency transactions of US\$0.5 million, (6) gain on disposal of cryptocurrencies of US\$0.7 million, (7) non-cash lease expenses of US\$1.8 million, (8) impairment of intangible assets of US\$3.7 million, (9) impairment of goodwill of US\$2.3 million, (10) loss from cybersecurity event of US\$2.3 million, (11) deferred income taxes of US\$1.0 million, and (12) changes in working capital. Adjustment for changes in working capital primarily consisted of (i) a decrease of US\$1.0 million in net prepayments and other current assets, (ii) a decrease of US\$2.6 million in net accounts receivable, (iii) an increase of US\$0.1 million in VAT recoverable, (iv) a decrease of US\$1.1 million in accounts payable, (v) a decrease of advances from customers of US\$0.9 million, and (vi) a decrease of US\$4.3 million in accrued liabilities and other payables.

Net cash provided by operating activities for 2022 was US\$8.2 million, which primarily reflected our net loss of US\$45.8 million, as mainly adjusted for (1) depreciation and amortization expenses of US\$10.7 million, (2) write-down for the potentially obsolete, slow-moving inventories and lower of cost or market adjustment of US\$6.5 million, (3) impairment of intangible assets adjustments of US\$20.7 million, (4) impairment of VAT recoverable adjustments of US\$4.5 million, (5) provision for credit loss of US\$3.8 million, (6) share-based compensation of US\$3.9 million, (7) loss on foreign currency transactions of US\$2.2 million, and (8) changes in working capital. Adjustment for changes in working capital primarily consisted of (i) a decrease of US\$14.3 million in net prepayments and other current assets, (ii) a decrease of US\$2.9 million in net accounts receivable, and (iii) a decrease of US\$14.1 million in accrued liabilities and other payables.

Net cash used in operating activities for 2021 was US\$15.8 million, which primarily reflected our net income of US\$2.8 million, as mainly adjusted for (1) depreciation and amortization expenses of US\$6.3 million, (2) write-down for the potentially obsolete, slow-moving inventories and lower of cost or market adjustment of US\$2.2 million, (3) impairment of property plant and equipment adjustments of US\$3.1 million, and (4) changes in working capital. Adjustment for changes in working capital primarily consisted of (i) an increase of US\$3.8 million in VAT recoverable, (ii) an increase of US\$5.4 million in net inventories, and (iii) a decrease of US\$18.3 million in accrued liabilities and other payables.

### ***Investing Activities***

Net cash provided by investing activities for 2023 was US\$2.8 million, mainly attributable to (i) collections from short-term investment of US\$5.7 million, (ii) proceeds from disposal of crypto assets of US\$7.2 million, (iii) cash paid for purchase of crypto assets of US\$9.2 million, and (iv) cash paid for the purchases of property, plant and equipment and intangible assets of US\$1 million.

Net cash provided by investing activities for 2022 was US\$6.6 million, mainly attributable to (i) collections from short-term investment of US\$55.1 million, (ii) cash paid for short-term investment of US\$28.6 million, (iii) cash paid for the purchases of property, plant and equipment and intangible assets of US\$14.1 million, and (iv) cash paid for business combination net of cash acquired of US\$5.9 million.

Net cash used in investing activities for 2021 was US\$6.5 million, mainly attributable to (i) collections from short-term investment of US\$474.4 million, (ii) cash paid for short-term investment of US\$472.4 million, and (iii) cash paid for the purchases of property, plant and equipment and intangible assets of US\$8.5 million.

## **Financing Activities**

We did not occur any cash flows from financing activities during 2023 and 2022.

Net cash provided by financing activities for 2021 was US\$248.3 million, mainly attributable to (i) issuance of shares for cash of US\$254.7 million in 2021, (ii) repayment to related parties for US\$5.7 million, (iii) repayment of short-term loans of US\$0.8 million.

## **Capital Expenditures**

We made capital expenditures of US\$8.5 million, US\$14.1 million and US\$1.0 million, in 2021, 2022 and 2023, respectively. In these periods, our capital expenditures were mainly used for (1) procurement of equipment, such as molds and machinery for the expansion of production capacity and upgrading of production facilities, (2) addition of intangible assets, such as software and non-patent technology and license, and (3) expenditures for constructing our production facilities.

We plan to fund our future capital expenditures with our existing cash balance and proceeds from our public offerings. We will continue to make capital expenditures to meet the expected growth of our business, including for construction of production facilities and procurement of photomask, mold and various intellectual properties.

## **C. Research and development, patents and licenses, etc.**

See “Item 4. Information on the Company—B. Business Overview— Research and Development” and “—Intellectual Property.”

## **D. Trend information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2023 to December 31, 2023 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

## **E. Critical Accounting Policies and Estimates**

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We prepare our financial statements in conformity with the U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Our most critical accounting policies are summarized below. For a description of all our significant accounting policies, see Note 2 to our audited consolidated financial statements in this annual report.

### Revenue recognition

We account for our revenue in accordance with ASC 606, Revenue from Contracts with Customers (“Topic 606”) for all periods presented. Consistent with the criteria of Topic 606, we recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services to the extent we deem the collection of such consideration is probable. Value-added tax that we collect concurrent with revenue-producing activities is excluded from revenue.

### *Products revenue*

We generate product revenue from the sale of Bitcoin mining machines and related accessories directly to a customer, such as a business or individual engaged in Bitcoin mining activities. We recognize revenue at a point in time when the control of the products has been transferred to customers. The transfer of control is considered complete when products have been picked up by or shipped to customers. Our sales arrangements for Bitcoin mining machines usually require a full prepayment before the delivery of products. The advance payment is not considered a significant financing component because the period between when we transfer a promised good to a customer and when the customer pays for that good is short. We also offer credit sales to certain customers and the payment terms under credit sales generally consist of full payment of consideration within one year after the shipping date.

We also generate revenue from the sale of telecommunication products directly to a customer, such as a business or individual engaged in telecommunication businesses. We recognize revenue at a point in time when products are delivered and customer acceptance is received. For the sales arrangements of telecommunications products, we generally require payment upon issuance of invoices.

We elected to account for shipping and handling fees that occur after the customer has obtained control of goods, for instance, free on board shipping point arrangements, as a fulfillment cost and accrues for such costs. We provide factory warranty for the products sold, and the repairment cost incurred was immaterial for the years ended December 31, 2023, 2022 and 2021.

### *Service revenue - Management and maintenance services*

We generate revenue from management and maintenance services under separate contracts. Revenue from management services primarily includes service fees for the provision of mining machine hosting services to customers and maintenance services primarily relates to our repairment service for the telecommunication equipment we sold to our customers. We halted mining machine hosting services in the PRC at the end of April 2021. Revenue from the maintenance service to the customer is recognized at a point in time when services are provided. Revenue from the management service to the customer is recognized as the performance obligation is satisfied over time over the service period.

### *Service revenue - Cross-border payment and foreign exchange services*

We generate revenue from cross-border payment and foreign exchange services started from March 2022 in connection with the acquisition of Compass Global Holdings Pty Ltd. See Note 3 to our audited consolidated financial statements in this annual report.

For the majority of the cross-border payment and foreign exchange services, customers agree to terms and conditions for all transactions, either at the time of initiating a transaction or signing a contract with us to provide payment services to the customers. Revenue is measured as the difference between the exchange rate set by us to the customer and a rate available in the wholesale foreign exchange market. We execute the transaction and make payments to the recipient to satisfy its performance obligation to the customer, and therefore, we recognize revenue at a point in time when this performance obligation has been fulfilled.

### *Service revenue - Cryptocurrency exchange services*

We generate revenue from cryptocurrency exchange service by facilitating the customers' cryptocurrency transactions via our proprietary exchange platform or through an offline, OTC transaction facilitation process. We act as an agent in the transactions and presents revenue for the fees earned on a net basis.

Cryptocurrency exchange transactions were matched on our proprietary exchange platform when a customer submits an offer to buy, sell, or convert cryptocurrencies, and another customer accepts and settles that offer. We charge a service fee in fiat currency or cryptocurrencies at the transaction level in amount calculated based on volume which varies depending on the payment type and the value of the transaction. We also conduct cryptocurrency exchange services through our OTC execution typically by acting as an agent and providing transaction matching to the customers' offers through the utilization of liquidity providers. In the case when a customer raises the need to buy cryptocurrencies, we will help the customer look for a matching need to sell the same quantity of cryptocurrencies from a liquidity provider. When we find such a liquidity provider, we ask for the selling rate, and apply a margin to the rate and offer to the customer. If the customer agrees to the rate, we facilitate the transaction. Revenue generated from the transaction matching through OTC facilitation is measured to be the margin applied to the rate set by the liquidity provider and the transaction price is charged and collected in fiat currency. We consider our performance obligation satisfied and recognize revenue at a point in time when the transaction is processed. Contracts with customers are usually open-ended and can be terminated by either party without a termination penalty. Therefore, contracts are defined at the transaction level and do not extend beyond the service already provided. We do not provide refunds, concession, or reversal of a completed transaction.

Judgment is required in determining whether we are the principal or the agent in transactions among customer or between customers and liquidity providers. We evaluate the presentation of revenue on a gross or net basis based on whether we control the cryptocurrency provided before it is transferred to the customer (gross) or whether we act as an agent by arranging for another customer or a liquidity provider to provide the cryptocurrency to the customer (net). We do not control the cryptocurrency being provided before it is transferred to the buyer and do not have inventory risk related to the cryptocurrency. We also do not set the price for the cryptocurrency as the price involved in the transaction is a market or a negotiated rate between customers or parties. As a result, we act as an agent in facilitating the ability for a customer to purchase cryptocurrencies from another customer.

We commenced the cryptocurrency exchange business in 2022. For the years ended December 31, 2023 and 2022, the revenue generated from the cryptocurrency exchange services was primarily from the transaction matching facilitated through OTC execution.

When reviewing our financial statements, you should consider our selection of critical accounting policies, the judgments and other uncertainties affecting the application of such policies, and the sensitivity of reported results to changes in conditions and assumptions. We believe that the following accounting policy involves a higher degree of judgment and complexity in their application and require us to make critical accounting estimates.

A detailed summary of significant accounting estimates is as follows:

### **Impairment of Intangible Asset and Goodwill**

We review our intangible assets for impairment and perform a goodwill impairment assessment on an annual basis through a qualitative or quantitative assessment and when events and circumstances indicate that the estimated fair value of a reporting unit may no longer exceed its carrying value. The process of evaluating the potential impairment of intangible asset and goodwill is subjective because it requires the use of estimates and assumptions in determining a reporting unit's fair value, as well as the fair value of the intangible asset. We calculate the fair values by using the income approach based on the present value of future discounted cash flows, which requires us to use estimates and judgments about the future cash flows of the reporting unit, primarily including forecasted revenue and revenue growth rates, weighted average cost of capital, and forecasted operating cash flows. We believe the accounting estimate for impairment of intangible asset and reporting unit is a critical accounting estimate because our estimates of fair values of intangible asset and reporting unit are based upon assumptions that are highly subjective, but which are inherently uncertain and, as a result, actual results may differ from estimates.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and senior management

Our board of directors is currently composed of five members. The table below sets forth certain information as of April 25, 2024, concerning our current board of directors and our senior management as of the date of this annual report.

<b>Directors and Executive Officers</b>	<b>Age</b>	<b>Position/Title</b>
Dong Hu	50	Chairman of the Board, Chief Executive Officer and Chief Financial Officer
Chunjuan Peng	47	Director and Deputy General Manager
Yanqing Gao	59	Independent Director
Tingjie Lyu	68	Independent Director
Mingming Su	39	Independent Director

*Dong Hu* is our founder and has served as chairman of the board of directors, and our chief executive officer since May 2018 and our chief financial officer since May 2022. He has also served as a director and chief executive officer of Zhejiang Ebang since January 2010. Mr. Hu has over 24 years of experience in the network communication and computing industry. Between August 1998 and August 2009, he was a teacher of the College of Information Engineering at Zhejiang University of Technology. From August 2009, he worked as a teacher of the College of Computer Science and Technology at the same university until October 2017. He is also an executive director of each of Zhejiang Ebang, Ebang IT, Hangzhou Dewang, Ebang Hongfa, Hangzhou Ebang Shuotai and Hangzhou Yibang Botong, Zhejiang Ebang Communication and Hangzhou Ebang Shengye and a director of HK Ebang Communications, HK Ebang Technology, and HK Ebang Digital, Ebang Digital Asset Management, Ebang Digital Asset Custody, Ebang Trust, Ebang Financial Services, Ebonex Singapore Pte. Ltd., Singapore Ebang Pte. Ltd., Ebon Pay Pte. Ltd., Ebon Management, Ebonex Australia, Australia Ebon Pty Ltd, Ebon Management Australia and Compass Global. Mr. Hu is primarily responsible for overseeing the sales and marketing, research and development, business strategy and overall management of our company. Mr. Hu graduated from Zhejiang University of Technology with an undergraduate degree in industrial automation in July 1998. In September 2008, Mr. Hu obtained a master of business administration (MBA) degree from Zhejiang University.

*Chunjuan Peng* is our deputy general manager and has served as a director since May 2018. She has also served as a deputy general manager of Zhejiang Ebang since January 2010 and a director of Zhejiang Ebang from January 2010 to March 2021. She has served as a director of Hangzhou Yibang Botong and HK Ebang Information since November 2021 and August 2022, respectively. Ms. Peng has over 19 years of experience in the areas of business operation and production and supply chain management. From September 2003 to January 2010, Ms. Peng was a deputy general manager at Hangzhou Ebang Communication Technology Co., Ltd., where she was responsible for assisting in managing the daily operation of the company. Ms. Peng is mainly responsible for our production and supply chain management, which includes overseeing the procurement of raw materials and production and quality control. Ms. Peng graduated from Jiangxi Normal University with a self-taught associate degree in tourism management in June 1997.

*Yanqing Gao* has served as our director since June 2021. He has been a director of Zhejiang Jianxue Technology Co., Ltd. since November 2019, Jiangsu Mole Biotechnology Co., Ltd. since April 2016, Shanghai Xinfangxun Communication Technology Co., Ltd. since November 2015 and Hangzhou Kaipu Technology Co., Ltd. since September 2015. Mr. Gao has also been the deputy manager of Zhejiang Zheke Investment Management Co., Ltd. since May 2012. He was a director of Yuancheng Environment co., Ltd. from June 2013 to November 2018. He also served as a director and the chief financial officer of Zhejiang Tianyuan Biopharmaceutical Co., Ltd. from April 2007 to April 2012. Mr. Gao held various accounting positions with companies in China since 1990. Mr. Gao received his bachelor's degree in accounting from Hangzhou Business School in 1984 and his EMBA from Zhongnan University of Economics and Law in 2008.

*Tingjie Lyu* has served as our director since June 2020. He has served as an independent director of China Satellite Communications Co., Ltd., China Communications Services Corporation Limited, Beijing Digital Telecom Co., Ltd. and Beijing Tongtech Co., Ltd. since May 2016, June 2015, May 2013 and August 2023, respectively. He has also served as a director of Wooboo Mobile Media Co., Ltd. since July 2016. Mr. Lyu has over 39 years of experience in the telecommunications industry. Since June 1985, Mr. Lyu successively served as a teacher, an associate professor and a professor at Beijing University of Posts and Telecommunications, College of Economic Management. Mr. Lyu holds a bachelor's degree in radio engineering and a master's degree in management engineering from Beijing University of Posts and Telecommunications and a doctor's degree in engineering from Kyoto University.

*Mingming Su* has served as our director since November 2021. Mr. Su has served as Chief Strategy Officer of DouYu International Holdings Limited (“DouYu”), a company that has its American depositary shares listed on the Nasdaq Global Select Market, since November 2015 and director of DouYu since October 2016. Mr. Su served as the investment analyst of Shanda Computer (Shanghai) Co., Ltd. from March 2010 to March 2011, the investment manager of Hangzhou Bianfeng Network Technology Co., Ltd. from March 2011 to August 2012 and the vice president of investment at Shenzhen Qingsong Investment Management Partnership (Limited Partnership) from August 2012 to November 2015. Mr. Su obtained his bachelor’s degree majoring in library science and minoring in English from Anhui University in July 2007. Mr. Su also obtained his Master of Management majoring in library science from Chinese Academy of Sciences in March 2010.

#### *Board Diversity Disclosure*

The following information was provided by our directors on a voluntary basis.

#### **Board Diversity Matrix (As of date of April 26, 2024)**

Country of Principal Executive Offices				China
Foreign Private Issuer				Yes
Disclosure Prohibited Under Home Country Law				No
Total Number of Directors				5
	Female	Male	Non-Binary	Did not disclose
<b>Part I: Gender Identity</b>				
Directors	1	4	0	0
<b>Part II: Demographic Background</b>				
Underrepresented Individual in Home Country			0	
LGBTQ+			0	
Did Not Disclose Demographic Background			0	

#### **B. Compensation**

##### *Compensation*

For the fiscal year ended December 31, 2023, we paid an aggregate of approximately US\$0.5 million in cash to our directors and executive officers, respectively. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers.

Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee’s salary for his or her medical insurance, maternity insurance, workplace injury insurance, unemployment insurance, pension benefits through a PRC government-mandated multi-employer defined contribution plan and other statutory benefits. Our Hong Kong subsidiaries are required by the Hong Kong Mandatory Provident Fund Schemes Ordinance to make monthly contributions to the mandatory provident fund scheme in an amount equal to at least 5% of an employee’s salary.

##### *Clawback Policy*

On October 7, 2023, the Board adopted a clawback policy (the “Clawback Policy”) providing for the recovery of certain incentive-based compensation from current and former executive officers of the Company in the event the Company is required to restate any of its financial statements filed with the SEC under the Exchange Act in order to correct an error that is material to the previously-issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. Adoption of the Clawback Policy was mandated by new Nasdaq listing standards introduced pursuant to Exchange Act Rule 10D-1. The Clawback Policy is in addition to Section 304 of the Sarbanes-Oxley Act of 2002 which permits the SEC to order the disgorgement of bonuses and incentive-based compensation earned by a registrant issuer’s chief executive officer and chief financial officer in the year following the filing of any financial statement that the issuer is required to restate because of misconduct, and the reimbursement of those funds to the issuer. A copy of the Clawback Policy has been filed herewith as Exhibit 97.1.

## ***Employment Agreements and Indemnification Agreements***

We have entered into employment agreements with our executive officers. Each of our executive officers is employed for a continuous term unless either we or the executive officer gives prior notice to terminate such employment, or for a specified time period, or for a specified time period which will be renewed automatically unless a notice of non-renewal is given. We may terminate an executive officer's employment for cause at any time with one month's prior notice, including but not limited to as a result of the executive officer's commitments of any serious or persistent breach or non-observance of the terms and conditions of the employment, conviction of a criminal offence, fraud or dishonesty, habitual neglect of his or her duties, material misconduct being inconsistent with the due and faithful discharge of the executive officer's material duties or material breach of internal procedures or regulations which causes damage to the Company. An executive officer may terminate his or her employment at any time with one month's prior written notice.

Each executive officer has agreed to hold, both during and after the employment agreement expires or is earlier terminated, in strict confidence and not to use, except for our benefit, any confidential information of our company, any of its subsidiaries or their customers and suppliers. In addition, each of our executive officers have agreed to be bound by non-solicitation restrictions set forth in their confidentiality agreements with us.

We have entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against all liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company to the fullest extent permitted by law with certain limited exceptions.

## ***Share Incentive Plan***

Our board of directors adopted the 2020 Share Incentive Plan in April 2020, effective from the date of our initial public offering, which was amended and restated on July 9, 2021; and our shareholders adopted the 2021 Share Incentive Plan, effective as of December 15, 2021 at the annual general meeting of shareholders, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. Under the Amended and Restated 2020 Share Incentive Plan, or the 2020 Plan, the maximum aggregate number of shares that may be issued pursuant to all awards under the 2020 Plan shall be 349,427 Class A ordinary shares, representing 8% of the enlarged total issued and outstanding shares of our company immediately upon completion of our initial public offering. Under the 2021 Share Incentive Plan, or the 2021 Plan, the maximum aggregate number of shares that may be issued pursuant to all awards under the 2021 Plan shall be 333,333 Class A ordinary shares.

As of the date of this annual report, we have granted 152,370 restricted shares after forfeitures under the 2020 Plan and we did not grant any awards under the 2021 Plan.

The following paragraphs describe the principal terms of the 2020 Plan.

***Types of awards.*** The 2020 Plan permits the awards of options, restricted shares or restricted share units.

***Plan administration.*** Our board of directors or a committee of one or more members of the board of directors administers the 2020 Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award grant.

***Award agreement.*** Awards granted under the 2020 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

***Eligibility.*** We may grant awards to employees and consultants of our company, our parent company and any of our subsidiaries, our directors, and other individuals, as determined by the plan administrator. However, we may grant options that are intended to qualify as incentive share options only to our employees and employees of our parent companies and subsidiaries.

***Vesting schedule.*** In general, the plan administrator determines the vesting schedule, which is specified in the relevant 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, except that the maximum exercisable term is 10 years from the date of a grant.

The following paragraphs describe the principal terms of the 2021 Plan.

**Types of awards.** The 2021 Plan permits the awards of options, shares, restricted shares or restricted share units.

**Plan administration.** Our board of directors or a committee of one or more members of the board of directors administers the 2021 Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award grant.

**Award agreement.** Awards granted under the 2021 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

**Eligibility.** We may grant awards to employees and consultants of our company, our parent company and any of our subsidiaries, our directors, and other individuals, as determined by the plan administrator. However, we may grant options that are intended to qualify as incentive share options only to our employees and employees of our parent companies and subsidiaries.

**Vesting schedule.** In general, the plan administrator determines the vesting schedule, which is specified in the relevant 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, except that the maximum exercisable term is 10 years from the date of a grant.

## **C. Board practices**

### **Overview**

Directors are expected to provide stewardship in order to promote the long-term success of the Company. They are expected to fulfill their fiduciary duties and duty of care in the best interests of the Company, considering the various needs of its stakeholders (shareholders, employees, communities, suppliers and clients), providing advice to and oversight of management's activities. Within its responsibilities, the board of directors oversees the company's strategic goals; financial statements, control and risk management; core values, integrity and ethical standards; management and board remuneration and succession planning, among others.

### **Board composition**

Our board of directors consists of five directors, including three independent directors. A director is not required to hold any shares in our company to qualify to serve as a director. The Nasdaq Rules generally require that a majority of an issuer's board of directors must consist of independent directors. Our board of directors affirmatively determined that Yanqing Gao, Tingjie Lyu and Mingming Su are independent directors, and that we have a majority of independent directors serving on our board of directors.

A director may, subject to any separate requirement for audit committee approval under applicable law, the Articles or the Nasdaq Rules, or disqualification by the chairman of the relevant board meeting, vote in respect of any contract or transaction in which he or she is interested, provided that the nature of the interest of any director in such contract or transaction is disclosed by him or her at or prior to its consideration and any vote in that matter. Our board of directors may exercise all of the powers of our company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to 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. None of our directors has a service contract with us that provides for benefits upon termination of service as a director.

### ***Committees of our board of directors***

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

#### ***Audit Committee***

Our audit committee consists of Yanqing Gao, Tingjie Lyu and Mingming Su. Mr. Gao is the chairman of our audit committee. We have determined that each of Messrs. Gao, Lyu and Su satisfies the "independence" requirements of the Rule 5605(c)(2) of the Nasdaq Rules and meets the independence standards under Rule 10A-3 under the Exchange Act. Our board of directors has also determined that Mr. Gao qualifies as an "audit committee financial expert" within the meaning of the SEC rules and possesses financial sophistication within the meaning of the Nasdaq Rules.

The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. The audit committee is responsible for, among other things:

- selecting our independent registered public accounting firm and pre-approving all auditing and non-auditing services performed by our independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related-party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and our independent registered public accounting firm;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and our independent registered public accounting firms;
- reporting regularly to the full board of directors; and
- performing 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 Dong Hu, Tingjie Lyu and Mingming Su. Mr. Hu is the chairman of our compensation committee. We have determined that each of Messrs. Lyu and Su satisfies the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Rules.

The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated.

The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing and making recommendations to the board of directors with respect to the compensation of our directors;
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee consists of Chunjuan Peng, Yanqing Gao and Tingjie Lyu. Ms. Peng is the chairperson of our nominating and corporate governance committee. We have determined that each of Messrs. Gao and Tingjie satisfies the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Rules.

The nominating and corporate governance committee assists the board of directors in selecting directors and in determining the composition of our board and board committees. The nominating and corporate governance committee is responsible for, among other things:

- identifying and recommending nominees for election or re-election to our board of directors, or for appointment to fill any vacancy;
- reviewing annually with our board of directors its composition in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to our board the directors to serve as members of committees;
- advising the board periodically with respect to developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations;
- making recommendations to our board of directors on corporate governance matters and on any corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure compliance.

## **Duties of Directors**

Under Cayman Islands law, our directors owe to us certain fiduciary duties, including a duty of loyalty, a duty to act honestly and a duty to act in what they consider to be in good faith and in our best interests. Our directors also have a duty to exercise the skills they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances.

In fulfilling their duty of care to us, our directors must ensure compliance with our Articles, as amended and restated from time to time.

Our company may have the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its business operations to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our share register.

## **Code of Ethics and Corporate Governance**

We have adopted a code of ethics, which is applicable to all of our directors, executive officers and employees. We have made our code of ethics publicly available on our website.

In addition, our board of directors have adopted a set of corporate governance guidelines covering a variety of matters, including approval of related party transactions.

## **Terms of Directors and Officers**

Pursuant to the Articles, our officers will be elected by and serve at the discretion of our board of directors. Each of our directors is not subject to a term of office and hold office until such time as he or she resigns or is removed from office by ordinary resolution of our shareholders.

A director will be removed from office automatically if, among other things, the director (1) becomes bankrupt or makes any arrangement or composition with his or her creditors; (2) dies or is found by our company to be of unsound mind; or (3) is removed from office pursuant to any other provisions of our Articles.

## **Interested Transactions**

A director may, subject to any separate requirement for audit committee approval under applicable law, the Articles or the Nasdaq Rules, or disqualification by the chairman of the relevant board meeting, vote in respect of any contract or transaction in which he or she is interested, provided that the nature of the interest of any directors in such contract or transaction is disclosed by him or her at or prior to its consideration and any vote in that matter.

#### D. Employees

As of December 31, 2023, we had a total of 303 employees, among which, 46 full-time employees were located outside of China.

The following table sets forth a breakdown of our employees by function as of December 31, 2023:

<b>Function</b>	<b>Number of Employees</b>
Management	5
Research and development	130
Production	29
Sales and marketing	41
Finance, operations and others	98
<b>Total</b>	<b>303</b>

The remuneration payable to our employees includes salaries, project incentives, year-end bonuses and allowances. We determine employees' remuneration based on factors including qualifications, contributions and years of experience. In order to maintain the quality, knowledge and skills of our employees, we appreciate the importance of training to employees. We provide regular trainings to our employees, which include orientation training for new employees and continuing on-the-job training for existing employees.

#### E. Share ownership

The following table sets forth information concerning the beneficial ownership of our ordinary shares, as of April 25, 2024 with respect to:

- each of our directors and executive officers; and
- each person known to us to beneficially own more than 5.0% of our ordinary shares.

The calculations in the table below are based on 6,543,938.22 ordinary shares outstanding as of April 25, 2024, comprising of 4,989,746.22 Class A ordinary shares and 1,554,192 Class B ordinary shares, assuming no exercise of outstanding warrants and excluding ordinary shares reserved for issuance under our Amended and Restated 2020 Share Incentive Plan and 2021 Share Incentive Plan.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. 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 April 25, 2024, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	<u>Class A ordinary shares</u>	<u>Class B ordinary shares</u>	<u>Percentage of total ordinary shares*** (%)</u>	<u>Percentage of total voting power**** (%)</u>
<b>Directors and Executive Officers**</b>				
Dong Hu <sup>(1)</sup>	3,750	1,554,192	23.8	86.2
Chunjuan Peng	*	–	*	*
Yanqing Gao	–	–	–	–
Tingjie Lyu	–	–	–	–
Mingming Su	–	–	–	–
All directors and executive officers as a group	32,486	1,554,192	24.2	86.3
<b>Principal Shareholders:</b>				
Affiliates of Dong Hu <sup>(1)</sup>	3,750	1,554,192	23.8	86.2
CVI Investments, Inc. <sup>(2)</sup>	343,332	–	5.2	*

\* Represents less than 1% of our total outstanding shares.

\*\* Except as indicated otherwise below, the business address of our directors and executive officers is 12 Marina View, #20-02B, Asia Square Tower 2, Singapore, 018961.

\*\*\* For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the total number of shares outstanding and the number of shares such person or group has the right to acquire upon exercise of option, warrant or other right within 60 days after the date of April 25, 2024.

\*\*\*\* For each person or group included in this column, percentage of total voting power represents voting power based on both Class A and Class B ordinary shares held by such person or group with respect to all outstanding shares of our Class A and Class B ordinary shares as a single class. Each holder of our Class A ordinary shares is entitled to one vote per share. Each holder of our Class B ordinary shares is entitled to 20 votes per share. Our Class B ordinary shares are convertible at any time by the holder into Class A ordinary shares on a one for one basis, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

(1) Represents (1) 1,554,192 Class B ordinary shares held by Top Max Limited and (2) 3,750 Class A ordinary shares held by Top One Limited. Top Max Limited is a company incorporated in the British Virgin Islands with limited liability wholly owned by Vista Eternity (PTC) Limited, or Vista Eternity, a trustee under the Hu Family Trust in which Mr. Hu, our chairman of the board of directors, chief executive officer and chief financial officer, is the settlor and the investment manager. Top One Limited, a company incorporated in the British Virgin Islands, is, among others, approximately 2.2% owned by Mr. Hu. The registered addresses of both of Top Max Limited and Top One Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

(2) Heights Capital Management, Inc. (“Heights Capital”), serves as the investment manager to CVI Investments, Inc. (“CVI”), and as such may exercise voting and dispositive power over the Class A ordinary shares held by CVI and may be deemed to beneficially own these Class A ordinary shares. William Walmsley, Director of CVI Investments, Inc., may also be deemed to beneficially own these Class A ordinary shares, as may Brian Sopinsky, Secretary of Heights Capital Management, Inc. Mr. Kobinger disclaims any such beneficial ownership of the securities. Each of Messrs. Walmsley and Sopinsky, CVI and Heights Capital disclaims beneficial ownership of these Class A ordinary shares except to the extent of their pecuniary interest therein. The address of the principal business office of Mr. Walmsley and CVI Investments, Inc. is P.O. Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands. The address of the principal business office of Mr. Sopinsky and Heights Capital Management, Inc. is 101 California Street, Suite 3250, San Francisco, California 94111. The number of Class A ordinary shares held by CVI is based on information included in the Schedule 13-G filed by CVI with the SEC on February 14, 2024 reporting its beneficial ownership of Class A ordinary shares.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. To our knowledge, as of April 25, 2024, 4,952,972 Class A ordinary shares, representing approximately 75.7% of our issued and outstanding ordinary shares, were held by one record holder in the United States, which is Cede & Co., a nominee of The Depository Trust Company, and none of our Class B ordinary shares are held by record holders in the United States.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share and the sole holder of Class B ordinary shares is entitled to 20 votes per share. The sole holder of our Class B ordinary shares may choose to convert its Class B ordinary shares into the same number of Class A ordinary shares at any time. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstance. See “Item 10. Additional Information—B. Memorandum and Articles of Association” for a more detailed description of our Class A ordinary shares and Class B ordinary shares.

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. Major shareholders**

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

### **B. Related party transactions**

We have entered into the following transactions with related parties:

#### ***Employment Agreements and Indemnification Agreements***

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Employment Agreements and Indemnification Agreements.”

#### ***Share Incentive Plan***

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan.”

### **Other Transactions with Related Parties**

#### ***Property Tenancy Agreements with Zhejiang Wansi Computer Manufacturing Company Limited***

As of the date of this annual report, some of our PRC subsidiaries have entered into several tenancy property management agreements with Zhejiang Wansi Computer Manufacturing Company Limited (“Zhejiang Wansi”). The lease terms are for consecutive one-year terms. Zhejiang Wansi is 68.68% owned by the spouse of Dong Hu, our controlling shareholder, chairman of the board directors, chief executive officer and chief financial officer. Zhejiang Wansi is therefore an associate of Mr. Hu. In 2021, 2022 and 2023, lease expenses from Zhejiang Wansi were approximately US\$32,000, US\$44,000 and US\$29,000, respectively. As of December 31, 2021, 2022 and 2023, the operating lease liabilities to Zhejiang Wansi is approximately \$49,000 and \$18,000 and \$31,000 respectively.

#### ***Property Tenancy Agreements with Hangzhou Yiquansheng Communication Technology Company Limited***

In May 2021, our PRC subsidiary Zhejiang Ebang entered into a tenancy property management agreement with Hangzhou Yiquansheng Communication Technology Co., Ltd. (“Hangzhou Yiquansheng”). The lease term is from May 2021 to December 2023. Hangzhou Yiquansheng is 100% owned by Mr. Hu, our controlling shareholder, chairman of the board of directors, chief executive officer and chief financial officer. In 2021, 2022 and 2023, lease expenses from Hangzhou Yiquansheng were approximately US \$379,000, US\$558,000 and US\$495,000 respectively. As of December 31, 2022 and 2023, the operating lease liabilities to Hangzhou Yiquansheng is approximately \$266,000 and \$0 respectively.

### **C. Interests of Experts and Counsel**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. Consolidated statements and other financial information**

#### ***Financial statements***

We have appended consolidated financial statements filed as part of this annual report.

#### ***Legal proceedings***

See “Item 4. Information on the Company—B. Business Overview—Legal Proceedings.”

For risks and uncertainties relating to the pending cases against us, please see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business Operations—We have been involved, and may continue to be involved, in disputes, claims or proceedings arising from our operations or class actions from time to time, which could result in significant liabilities and reputational harm and could materially and adversely affect our business, financial condition and results of operations.”

#### ***Dividends and dividend policy***

The payment of dividends is at the discretion of our board of directors, subject to our Articles. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or the share premium account, and 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. Even if we decide to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends paid by our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Conducting Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

## **B. Significant changes**

Except as disclosed elsewhere 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. Offering and listing details**

Our Class A ordinary shares have been listed on the Nasdaq Global Select Market since June 26, 2020 under the symbol “EBON.”

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share and the sole holder of Class B ordinary shares is entitled to 20 votes per share. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Securities—Our dual-class voting structure 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 may view as beneficial.”

### **B. Plan of distribution**

Not applicable.

### **C. Markets**

Our Class A ordinary shares have been listed on the Nasdaq Global Select Market since June 26, 2020 under the symbol “EBON.”

### **D. Selling shareholders**

Not applicable.

### **E. Dilution**

Not applicable.

### **F. Expenses of the issue**

Not applicable.

## **ITEM 10. ADDITIONAL INFORMATION**

### **A. Share capital**

Not applicable.

### **B. Memorandum and articles of association**

We are an exempted company incorporated under the laws of the Cayman Islands and our affairs are governed by our Articles, as amended and restated from time to time, the Companies Act (Revised) of the Cayman Islands, which we refer to as the Companies Act below, and the common law of the Cayman Islands.

The following are summaries of material provisions of our Articles and the Companies Act (Revised) of the Cayman Islands insofar as they relate to the material terms of our ordinary shares.

## **Ordinary Shares**

### ***General***

Under our second amended and restated memorandum of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

Our issued and outstanding ordinary shares consist of Class A ordinary shares and Class B ordinary shares. All of our outstanding ordinary shares, which consist of Class A ordinary shares and Class B ordinary shares, are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and transfer their ordinary shares.

Holders of our Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. The Class A ordinary shares and Class B ordinary shares carry equal rights and rank *pari passu* with one another, including the rights to dividends and other capital distributions.

### ***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 of Class B ordinary shares by a holder thereof to any person or entity that is not an affiliate (as defined in our Articles) of such holder, such Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares.

### ***Voting Rights***

On a show of hands each shareholder is entitled to one vote or, on a poll, each shareholder is entitled to one vote for each Class A ordinary share and 20 votes for each Class B ordinary share, voting together as a single class, on all matters that require a shareholder's vote. Voting at any shareholders' meeting is by show of hands of shareholders who are present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorized representative, unless a poll is demanded.

A poll may be demanded by the chairman of such meeting or any shareholder present in person or by proxy.

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is duly registered as our shareholder and all calls or instalments due by such shareholder to us have been paid.

An ordinary resolution to be passed at a general meeting requires the affirmative vote of a simple majority of the votes cast, while a special resolution requires the affirmative vote of at least two-thirds of votes attached to all outstanding ordinary shares cast at a general meeting.

### ***Transfer Agent and Registrar***

The transfer agent and registrar for the Class A ordinary shares is VStock Transfer, LLC, a California limited liability company with its business address at 18 Lafayette Place, Woodmere, New York 11598.

### ***General Meetings of Shareholders***

Our Articles provides that our company may (but shall not be obligated to) hold an annual general meeting of shareholders in each calendar year, subject to Cayman Islands laws and the Nasdaq Rules, in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held as a physical meeting in any part of the world and/or at one or more locations or as a hybrid meeting or as an electronic meeting, at such time and place as may be determined by our directors.

Shareholders' meetings may be convened by a majority of our board of directors or the chairman of our board of directors. Advance notice of at least ten clear days (as defined in the Articles) is required for the convening of our annual general meeting and any other general meeting of our shareholders. Notwithstanding that a meeting is called by shorter notice than that mentioned above, but, subject to the Companies Act, it will be deemed to have been duly called, if it is so agreed (1) in the case of a meeting called as an annual general meeting by all of our shareholders entitled to attend and vote at the meeting; and (2) in the case of any other meeting, by a majority in number of the shareholders holding not less than 95% in nominal value of the issued shares giving that right.

No business other than the appointment of a chairman may be transacted at any general meeting unless a quorum is present at the commencement of business. However, the absence of a quorum will not preclude the appointment of a chairman. If present, the chairman of our board of directors shall be the chairman presiding at any shareholders' meetings.

A corporation being a shareholder shall be deemed for the purpose of our Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation that he represents as that corporation could exercise if it were our individual shareholder.

### ***Dividends***

Subject to the Companies Act, our directors may declare dividends in any currency to be paid to our shareholders. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. Our board of directors may also declare and pay dividends out of the share premium account or any other fund or account that can be authorized for this purpose in accordance with the Companies Act. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provides, (1) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on that share and (2) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Our directors may also pay interim dividends, whenever our financial position, in the opinion of our directors, justifies such payment.

Our directors may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by such shareholder to us on account of calls or otherwise.

No dividend or other money payable by us on or in respect of any share shall bear interest against us. In respect of any dividend proposed to be paid or declared on our share capital, our directors may resolve and direct that (1) such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that our shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if our directors so determine) in cash in lieu of such allotment or (2) the shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our directors may think fit. Our shareholders may, upon the recommendation of our directors, by ordinary resolution resolve in respect of any particular dividend that, notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent by mail addressed to the holder at his registered address, or addressed to such person and at such addresses as the holder may direct. Every check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to us.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by our board of directors for the benefit of our company until claimed. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and reverted to us.

Whenever our directors have resolved that a dividend be paid or declared, our directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe for our securities or securities of any other company. Where any difficulty arises with regard to such distribution, our directors may settle it as they think expedient. In particular, our directors may issue fractional certificates, ignore fractions altogether or round the same up or down, fix the value for distribution purposes of any such specific assets, determine that cash payments shall be made to any of our shareholders upon the footing of the value so fixed in order to adjust the rights of the parties, vest any such specific assets in trustees as may seem expedient to our directors, and appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, which appointment shall be effective and binding on our shareholders.

### ***Transfer of Ordinary Shares***

Subject to any applicable restrictions set forth in our Articles, including, for example, the board of directors' discretion to refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under share incentive plans for employees upon which a restriction on transfer imposed thereby still subsists, or a transfer of any share to more than four joint holders, any of our shareholders may transfer all or any of his or her shares by an instrument of transfer in the usual or common form or in a form prescribed by the Nasdaq Global Select Market or in another form that our directors may approve.

Our directors may decline to register any transfer of any share which is not paid up or on which we have a lien. Our directors may also decline to register any transfer of any share unless:

- the instrument of transfer is lodged with us and is accompanied by the certificate for the shares to which it relates and such other evidence as our directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of share;
- the instrument of transfer is properly stamped (in circumstances where stamping is required); and
- a fee of such maximum sum as the Nasdaq Global Select Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

### ***Liquidation***

Subject to any future shares which are issued with specific rights, (1) if we are wound up and the assets available for distribution among our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* among those shareholders in proportion to the amount paid up at the commencement of the winding up on the shares held by them, respectively, and (2) if we are wound up and the assets available for distribution among the shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

If we are wound up (whether the liquidation is voluntary or by the court), the liquidator may with the sanction of our special resolution and any other sanction required by the Companies Act, divide among our shareholders in specie or kind the whole or any part of our assets (whether or not they shall consist of property of the same kind) and may, for such purpose, set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders or different classes of shareholders.

The liquidator may also vest the whole or any part of these assets in trustees upon such trusts for the benefit of the shareholders as the liquidator shall think fit, but so that no shareholder will be compelled to accept any assets, shares or other securities upon which there is a liability.

The consideration received by each holder of a Class A ordinary share and a holder of a Class B ordinary share will be the same in any liquidation event.

### ***Calls on Ordinary Shares and Forfeiture of Ordinary Shares***

Subject to our Articles and to the terms of allotment, our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

### ***Redemption of Shares, Repurchase and Surrender of Ordinary Shares***

We are empowered by the Companies Act and our Articles to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Act, our Articles and to any applicable requirements imposed from time to time by the Nasdaq Global Select Market, the SEC, or by any other recognized stock exchange on which our securities are listed.

We may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors.

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 (1) unless it is fully paid up, (2) if such redemption or repurchase would result in there being no shares outstanding, or (3) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

### ***Variations of Rights of Shares***

If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a majority of two-thirds of the vote of all of the shares in that class.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

### ***Issuance of Additional Shares***

Our Articles authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our Articles also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- 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 preference 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.

### **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 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions” or elsewhere in this annual report.

### **D. Exchange controls**

Not applicable.

### **E. Taxation**

*The following discussion of Cayman Islands, PRC and United States federal income tax consequences of an investment in Class A ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change or differing interpretation, possibly with retroactive effect. This summary does not deal with all possible tax consequences relating to an investment in our Class A ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People’s Republic of China and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Conyers Dill & Pearman, our counsel as to Cayman Islands law, and to the extent it relates to PRC tax law, it represents the opinion of Jingtian & Gongcheng, our counsel as to PRC law.*

## **Cayman Islands Taxation**

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. There are no other taxes likely to be material to us or holders of our ordinary shares levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands.

The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of 20 years from May 24, 2018.

## **PRC Taxation**

### ***Income Tax and Withholding Tax***

In March 2007, the National People's Congress of China enacted the EIT Law, which became effective on January 1, 2008 (as amended in December 2018). The EIT Law provides that enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore subject to EIT at the rate of 25% on their worldwide income. The Implementing Rules of the EIT Law further defines the term "de facto management body" as the management body that exercises substantial and overall management and control over the business, personnel, accounts and properties of an enterprise.

In April 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is deemed to be located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not offshore enterprises controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises.

According to Circular 82, a Chinese-controlled enterprise which is incorporated offshore will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to EIT on its global income only if all of the following conditions are satisfied:

- the primary location of the day-to-day operational management and the places where they perform their duties are in the PRC;
- decisions relating to the enterprise's financial and human resources matters are made or are subject to the approval of organizations or personnel in the PRC;

- the enterprise's primary assets, accounting books and records, company seals and board and shareholders' resolutions are located or maintained in the PRC; and
- 50% or more of voting board members or senior executives habitually reside in the PRC.

Pursuant to the EIT Law and the EIT Implementation Rules, except as otherwise provided by relevant tax treaties with the PRC government, dividends paid by foreign-invested investment enterprises to foreign investors which are non-resident enterprises and which have not established or operated premises in the PRC, or which have established or operated premises but where their income has no de facto relationship with such establishment or operation of premises shall be subject to a withholding tax of 10%.

The Circular 45 further clarifies certain issues related to the determination of tax resident status. Circular 45 also specifies that when provided with a resident Chinese-controlled, offshore-incorporated enterprise's copy of its recognition of residential status, a payer does not need to withhold a 10% income tax when paying certain PRC-source income, such as dividends, interest and royalties to such Chinese-controlled offshore-incorporated enterprise. For more detailed information, see "Item 3.D. Key Information—Risk Factors—Risks Relating to Conducting Business in China—We may be subject to EIT on our worldwide income if our company or any of our subsidiaries were considered a PRC "resident enterprise" under the PRC Enterprise Income Tax Law, or the EIT Law."

We believe that our Cayman Islands holding company, Ebang International Holdings Inc., is not a PRC resident enterprise for PRC tax purposes. Ebang International Holdings Inc. is a company incorporated outside China. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside China. As such, we do not believe that our company meets all of the conditions above or is a PRC resident enterprise for PRC tax purposes. For the same reasons, we believe our other entities outside China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." There can be no assurance that the PRC government will ultimately take a view that is consistent with our position and there is a risk that the PRC tax authorities may deem our company as a PRC resident enterprise since a substantial majority of the members of our management team are located in China, in which case we would be subject to EIT at the rate of 25% on worldwide income. If the PRC tax authorities determine that our Cayman Islands holding company is a "resident enterprise" for EIT purposes, a number of unfavorable PRC tax consequences could follow.

One example is a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders and with respect to gains derived by our non-PRC enterprise shareholders from transferring our shares. It is unclear whether, if we are considered a PRC resident enterprise, holders of our shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

According to the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Public Notice 7, which was promulgated by the SAT and became effective on February 3, 2015, as amended on December 29, 2017, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by transfer of the equity interests of an offshore holding company (other than a purchase and sale of shares issued by a PRC resident enterprise in the public securities market) without a reasonable commercial purpose, PRC tax authorities have the power to reassess the nature of the transaction and the indirect equity transfer may be treated as a direct transfer. As a result, the gain derived from such transfer, which means the equity transfer price less the cost of equity, will be subject to PRC withholding tax at a rate of up to 10%.

Under the terms of SAT Public Notice 7, a transfer which meets all of the following circumstances shall be directly deemed as having no reasonable commercial purposes if:

- over 75% of the value of the equity interests of the offshore holding company are directly or indirectly derived from PRC taxable properties;
- at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are investments within PRC territories, or in the year before the indirect transfer, over 90% of the offshore holding company's revenue is directly or indirectly derived from PRC territories;
- the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; or
- the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprises Income Tax at Source, or SAT Bulletin 37, which took effect on December 1, 2017, and subsequently amended on June 15, 2018. SAT Bulletin 37 purports to provide further clarifications by setting forth the definitions of equity transfer income and tax basis, the foreign exchange rate to be used in the calculation of the withholding amount and the date on which the withholding obligation arises.

Specifically, SAT Bulletin 37 provides that where the transfer income subject to withholding at source is derived by a non-PRC resident enterprise in instalments, the instalments may first be treated as recovery of costs of previous investments. Upon recovery of all costs, the tax amount to be withheld must then be computed and withheld.

There is uncertainty as to the application of SAT Public Notice 7 and SAT Bulletin 37. SAT Public Notice 7 and SAT Bulletin 37 may be determined by the PRC tax authorities to be applicable to transfers of our shares that involve non-resident investors, if any of such transactions were determined by the tax authorities to lack a reasonable commercial purpose.

As a result, we and our non-resident investors in such transactions may become at risk of being taxed under SAT Public Notice 7 and SAT Bulletin 37, and we may be required to comply with SAT Public Notice 7 and SAT Bulletin 37 or to establish that we should not be taxed under the general anti-avoidance rule of the EIT Law. This process may be costly and have a material adverse effect on our financial condition and results of operations.

#### ***Value-added Tax***

Under the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax to Replace Business Tax, or Circular 36, which was promulgated by the Ministry of Finance and the SAT on March 23, 2016 and became effective on May 1, 2016, as amended on April 1, 2019, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of the PRC are required to pay value added tax, or VAT, instead of business tax.

According to the Circular 36, our PRC subsidiaries and consolidated affiliated entity are subject to VAT, at a rate of 6% to 17% on proceeds received from customers and are entitled to a refund for VAT already paid or borne on the goods purchased by it and utilized in the production of goods or provisions of services that have generated the gross sales proceeds.

According to the Circular of the Ministry of Finance and the SAT on Adjusting Value-added Tax Rates promulgated on April 4, 2018, and effective May 1, 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% tax rates are lowered to 16%.

According to the Circular on Policies to Deepen Value-added Tax Reform promulgated by the Ministry of Finance, the SAT, and the General Administration of Customs on March 20, 2019, and effective April 1, 2019, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 16% and 10% tax rates are lowered to 13% and 9% respectively.

### **Material U.S. Federal Income Tax Considerations**

The following discussion is a summary of material U.S. federal income tax considerations relating to the ownership and disposition of our Class A ordinary shares and warrants by a U.S. Holder, as defined below, that acquires the Class A ordinary shares and warrants and holds the Class A ordinary shares and warrants as “capital assets” (generally, property held for investment) under Section 1221 of the United States Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing U.S. federal income tax law as of the date of this annual report, which is subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the Internal Revenue Service, or the IRS, with respect to any U.S. federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This discussion does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances, including investors subject to special tax rules (such as, for example, financial institutions, insurance companies, regulated investment companies, real estate investment trusts, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships or other pass-through entities for U.S. federal income tax purposes and their partners or investors, tax-exempt organizations (including private foundations), investors who are not U.S. Holders, investors that own (directly, indirectly, or constructively) ordinary shares representing 10% or more of our stock (by vote or by value), investors that hold their Class A ordinary shares and/or related warrants as part of a straddle, hedge, conversion, constructive sale or other integrated transaction, or investors that have a functional currency other than the U.S. dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this discussion does not address any U.S. federal estate, gift or other non-income tax considerations, state, local, or non-U.S. tax considerations, the alternative minimum tax, or the Medicare contribution tax on net investment income. Each potential investor is urged to consult its tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax considerations of an investment in the Class A ordinary shares and related warrants.

#### ***General***

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our Class A ordinary shares and related warrants that is, for U.S. federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or other entity or arrangement treated as a corporation for U.S. federal income tax purposes) created in, or organized under the laws of, the United States or any state thereof or the District of Columbia, (3) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (4) a trust (a) the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons (within the meaning of Section 7701(a)(30) of the Code) who have the authority to control all substantial decisions of the trust or (b) that has otherwise elected to be treated as a United States person under the Code.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our Class A ordinary shares and warrants, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. Partnerships and partners of a partnership holding our Class A ordinary shares and related warrants are urged to consult their tax advisors regarding an investment in our Class A ordinary shares and related warrants.

### ***Passive Foreign Investment Company Considerations***

A non-U.S. corporation, such as our company, will be classified as a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes for any taxable year if either (1) 75% or more of its gross income for such year consists of certain types of “passive” income, or the “income test” or (2) 50% or more of the value of its assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income, or the “asset test”. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s unbooked intangibles associated with active business activities may generally be classified as active assets. Passive income generally includes, among other things, dividends, interest, rents, royalties, 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, more than 25% (by value) of the stock.

While we do not expect to be or become a PFIC in the current or foreseeable taxable years, no assurance can be given in this regard because the determination of whether we will be or become a PFIC is a factual determination made annually that will depend, in part, upon the composition of our income and assets. Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets and the cash raised in our initial public offering. Under circumstances where our revenue from activities that produce passive income significantly increases relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming a PFIC may substantially increase. In addition, because there are uncertainties in the application of the relevant rules, it is possible that the Internal Revenue Service may challenge our classification of certain income and assets as non-passive or our valuation of our tangible and intangible assets, each of which may result in our becoming a PFIC for the current or subsequent taxable years. If we were classified as a PFIC for any year during which a U.S. Holder held our ordinary shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. Holder held our ordinary shares even if we cease to be a PFIC in subsequent years, unless certain elections are made.

The discussion herein under “Dividends” is written on the basis that we will not be or become classified as a PFIC for U.S. federal income tax purposes. If we are treated as a PFIC, the U.S. federal income tax considerations that apply generally are discussed under “Passive Foreign Investment Company Rules.”

#### ***Dividends***

Subject to the PFIC rules described below, any distributions (including constructive distributions of the amount of any PRC tax withheld) paid on the Class A ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder. Because we do not intend to determine our earnings and profits under U.S. federal income tax principles, any distribution will generally be treated as a “dividend” for U.S. federal income tax purposes. Under current law, a non-corporate recipient of dividend income will generally be subject to tax on dividend income from a “qualified foreign corporation” at the lower rates applicable to “qualified dividend income” rather than the marginal tax rates generally applicable to ordinary income, provided that certain holding period and other requirements are met.

A non-U.S. corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (1) if it is eligible for the benefits of a comprehensive income tax treaty with the United States that the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and that includes an exchange of information program, or (2) with respect to any dividend it pays on stock that is readily tradable on an established securities market in the United States. Our Class A ordinary shares are listed on the Nasdaq Global Select Market. We believe, but cannot assure you, that Class A ordinary shares will continue to be considered readily tradable on an established securities market in the United States and that we will be a qualified foreign corporation with respect to dividends paid on the Class A ordinary shares. However, there can be no assurance that the Class A ordinary shares will continue to be considered readily tradable on an established securities market in later years. In the event we are deemed to be a PRC resident enterprise under the Enterprise Income Tax Law (see “—PRC Taxation”), we may be eligible for the benefits of the Agreement Between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income, or the United States-PRC income tax treaty (that the Secretary of the Treasury of the United States has determined is satisfactory for this purpose), in which case we would be treated as a qualified foreign corporation with respect to dividends paid on our Class A ordinary shares. U.S. Holders are urged to consult their tax advisors regarding the availability of the reduced tax rate on dividends in their particular circumstances. Dividends received on the Class A ordinary shares will not be eligible for the dividends received deduction allowed to qualifying corporations under the Code.

For U.S. foreign tax credit purposes, dividends paid on the Class A ordinary shares will generally be treated as income from foreign sources and will generally constitute passive category income. If we are deemed to be a PRC resident enterprise under the Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid, if any, on the Class A ordinary shares. A U.S. Holder may be eligible, subject to complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on the Class A ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction for U.S. federal income tax purposes in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

### ***Sale or Other Disposition of Ordinary Shares***

Subject to the PFIC rules discussed below, a U.S. Holder will generally recognize capital gain or loss, if any, upon the sale or other disposition of Class A ordinary shares and warrants in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such Class A ordinary shares. Any capital gain or loss will be long-term capital gain or loss if the Class A ordinary shares have been held for more than one year and will generally be U.S. source gain or loss for U.S. foreign tax credit purposes. Long-term capital gains of non-corporate U.S. Holders are currently eligible for reduced rates of taxation. If we are treated as a PRC resident enterprise under the Enterprise Income Tax Law, and gain from the disposition of the ordinary shares is subject to tax in the PRC (see “—PRC Taxation”), such gain may be treated as PRC source gain for foreign tax credit purposes under the United States-PRC income tax treaty. The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of the Class A ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

### *Passive Foreign Investment Company Rules*

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds the Class A ordinary shares or warrants, unless the U.S. Holder makes one of certain elections (as described below), the U.S. Holder will, except as discussed below, be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC in subsequent taxable years, on (1) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ordinary shares or warrants), and (2) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of Class A ordinary shares or warrants. Under the PFIC rules:

- the excess distribution and/or gain will be allocated ratably over the U.S. Holder's holding period for the Class A ordinary shares or warrants;
- the amount of the excess distribution or gain allocated to the taxable year of distribution or gain and to any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC (each such taxable year, a pre-PFIC year) will be taxable as ordinary income;
- the amount of the excess distribution or gain allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the individuals or corporations, as appropriate, for that year, and will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to each such year.

If we are a PFIC for any taxable year during which a U.S. Holder holds the Class A ordinary shares or warrants and any of our non-U.S. subsidiaries or other corporate entities in which we own equity interests is also a PFIC, such 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. Each U.S. Holder is advised to consult its tax advisors regarding the application of the PFIC rules to any of our lower-tier PFICs.

If we are a PFIC for any taxable year during which a U.S. Holder holds the Class A ordinary shares or warrants, we will continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding taxable years during which the U.S. Holder holds the Class A ordinary shares or warrants, unless we were to cease to be a PFIC and the U.S. Holder makes a "deemed sale" election with respect to the Class A ordinary shares or warrants. If such election is made, the U.S. Holder will be deemed to have sold its ordinary shares or warrants at their fair market value and any gain from such deemed sale would be subject to the rules described in the preceding two paragraphs. After the deemed sale election, so long as we do not become a PFIC in a subsequent taxable year, the Class A ordinary shares or warrants with respect to which such election was made will not be treated as shares in a PFIC and, as a result, the U.S. Holder will not be subject to the rules described above with respect to any "excess distribution" the U.S. Holder receives from us or any gain from an actual sale or other disposition of the Class A ordinary shares or warrants. Each U.S. Holder is strongly urged to consult its tax advisors as to the possibility and consequences of making a deemed sale election if we are and then cease to be a PFIC and such an election becomes available to the U.S. Holder.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to the Class A ordinary shares (but not the warrants), provided that the Class A ordinary shares are "regularly traded" (as specially defined in the applicable United States Treasury Regulations) on the Nasdaq Global Select Market, which is a qualified exchange or other market for these purposes. We expect that our Class A ordinary shares will be treated as marketable stock upon their listing on the Nasdaq Global Select Market, but no assurances can be given in this regard. If a mark-to-market election is made, the U.S. Holder will generally (1) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of Class A ordinary shares held at the end of the taxable year over the U.S. Holder's adjusted tax basis in such Class A ordinary shares and (2) deduct as an ordinary loss the excess, if any, of the U.S. Holder's adjusted tax basis in the Class A ordinary shares over the fair market value of such Class A ordinary shares held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the Class A ordinary shares would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes an effective mark-to-market election in any year that we are a PFIC, any gain recognized upon the sale or other disposition of the Class A ordinary shares will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. Holder will not be required to take into account the mark-to-market gain or loss described above during any period that such corporation is not classified as a PFIC.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder who makes a mark-to-market election with respect to the Class A ordinary shares may continue to be subject to the general PFIC rules with respect to such U.S. Holder's indirect interest in any of our non-U.S. subsidiaries or other corporate entities in which we own equity interests that is classified as a PFIC.

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 the general tax treatment for PFICs described above.

As discussed above under "Dividends," dividends that we pay on the Class A ordinary shares will not be eligible for the reduced tax rate that applies to qualified dividend income if we are classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year. In addition, if a U.S. Holder owns the Class A ordinary shares or warrants during any taxable year that we are a PFIC, the holder must file an annual information return with the IRS. Each U.S. Holder is urged to consult its tax advisor concerning the U.S. federal income tax consequences of purchasing, holding, and disposing Class A ordinary shares or warrants if we are or become a PFIC, including the possibility of making a mark-to-market election and the unavailability of the qualified electing fund election.

### ***Information Reporting and Backup Withholding***

Certain U.S. Holders are required to report information to the IRS relating to an interest in "specified foreign financial assets" (as defined in the Code), including shares and warrants issued by a non-United States corporation, for any year in which the aggregate value of all specified foreign financial assets exceeds \$50,000 (or a higher dollar amount prescribed by the IRS), subject to certain exceptions (including an exception for shares held in custodial accounts maintained with a U.S. financial institution). These rules also impose penalties if a U.S. Holder is required to submit such information to the IRS and fails to do so.

In addition, U.S. Holders may be subject to information reporting to the IRS and backup withholding with respect to dividends on and proceeds from the sale or other disposition of the Class A ordinary shares or warrants. Information reporting will generally apply to payments of dividends on, and to proceeds from the sale or other disposition of, Class A ordinary shares or warrants by a paying agent within the United States to a U.S. Holder, other than U.S. Holders that are exempt from information reporting and properly certify their exemption. A paying agent within the United States will be required to withhold at the applicable statutory rate, currently 24%, in respect of any payments of dividends on, and the proceeds from the disposition of, Class A ordinary shares or warrants within the United States to a U.S. Holder (other than U.S. Holders that are exempt from backup withholding and properly certify their exemption) if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements. U.S. Holders who are required to establish their exempt status generally must provide a properly completed IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability. A U.S. Holder generally may obtain a refund of any amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS in a timely manner and furnishing any required information. Each U.S. Holder is advised to consult with its tax advisor regarding the application of the United States information reporting rules to their circumstances.

### **F. Dividends and paying agents**

Not applicable.

**G. Statement by experts**

Not applicable.

**H. Documents on display**

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is *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.

**I. Subsidiary information**

Not applicable.

**J. Annual Report to Security Holders**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*****Concentration of Credit Risk***

Financial instruments that potentially expose us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. We place our cash and cash equivalents with financial institutions with high credit ratings and quality.

We conduct credit evaluations of customers, and generally do not require collateral or other security from our customers. We establish an allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

***Liquidity Risk***

Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.”

***Currency Risk***

We have subsidiaries in multiple countries which operate in local currencies. Our reporting currency is denominated in U.S. dollars. We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. Thus, our revenues and results of operations may be impacted by exchange rate fluctuations between RMB, Hong Kong dollars, Euros, Australian dollars and U.S. dollars. We had currency translation gains of US\$1.0 million in 2021 recognized in other comprehensive gain, and currency transaction loss of US\$5.3 million and US\$2.3 million in 2022 and 2023, respectively, as a result of changes in the exchange rate.

## ***Inflation***

To date, inflation in China and Hong Kong has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2021, 2022 and 2023 were increases of 1.5%, 1.8% and a decrease of 0.3%, respectively, and according to the Census and Statistics Department of Hong Kong, the year-over-year percent changes in the consumer price index for December 2021, 2022 and 2023 was a decrease of 1.6%, and increases of 2.0% and 2.4%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China or Hong Kong experiences higher rates of inflation in the future.

According to the Australian Bureau of Statistics, the year-over-year percent changes in the consumer price index for December 2021, 2022 and 2023 were increases of 2.8%, 8.3% and 4.1%, respectively. The inflation increment has led to a significant increase in our overseas business personnel recruitment and raw material procurement costs. If we are unable to pass on the increase in production costs to our customers, our profitability may decline, and our operating results may be significantly adversely affected by continued rising inflation.

## **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**

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

#### A. Defaults

No matters to report.

#### B. Arrears and delinquencies

No matters to report.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

#### Material Modifications to the Rights of Security Holders

On November 20, 2022, at 8:00 a.m. (Singapore Time), we convened an extraordinary general meeting of shareholders (the “EGM”). At the EGM, our shareholders approved the following ordinary resolution:

THAT with immediate effect upon passing, every thirty (30) issued and unissued Class A Ordinary Shares and Class B Ordinary Shares of the Company of HK\$0.001 each (the “Existing Shares”) be consolidated into one (1) share of HK\$0.03 each (each a “Consolidated Share”), such Consolidated Shares shall rank pari passu in all respects with each other, so that following the Share Consolidation the authorised share capital of the Company will be changed from HK\$380,000.00 divided into 380,000,000 Ordinary Shares of a par value of HK\$0.001 each consisting of (i) 333,374,217 Class A Ordinary Shares of a par value of HK\$0.001 each, and (ii) 46,625,783 Class B Ordinary Shares of a par value of HK\$0.001 each, to HK\$380,000.00 divided into 12,666,666.66 Ordinary Shares of a par value of HK\$0.03 each of which (i) 11,112,473.90 Class A Ordinary Shares are designated as Class A Ordinary Shares of a par value of HK\$0.03 each, and (ii) 1,554,192.76 Class B Ordinary Shares are designated as Class B Ordinary Shares of a par value of HK\$0.03 each (the “Share Consolidation”).

THAT all fractional entitlements to the issued Consolidated Shares resulting from the Share Consolidation will be issued to the shareholders of the Company and the Board shall be authorised to settle as it considers expedient any difficulty resulting from the Share Consolidation and to further deal as the Board in its discretion and as it considers expedient, as appropriate, the treatment of all such issued fractional shares arising on a post-consolidation basis.

See “Item 10—Additional Information—B. Memorandum and Articles of Association—Ordinary Shares” for a description of the rights of securities holders.

#### Use of Proceeds

In June 2020, we completed our initial public offering in which we offered and sold an aggregate 642,145 (19,264,337 before the Share Consolidation) of our Class A ordinary shares, at an initial offering price of US\$156.90 (US\$5.23 before the Share Consolidation) per Class A ordinary share. The registration statement on Form F-1, as amended (File No. 333-237843), in connection with the initial public offering was declared effective by the SEC on June 25, 2020. AMTD Global Markets Limited, Loop Capital Markets LLC and Prime Number Capital LLC were the representatives of the underwriters for our initial public offering. We received net proceeds of approximately US\$91.7 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. The total expenses incurred for our company’s account in connection with our initial public offering was approximately US\$9.1 million, which included US\$7.1 million in underwriting discounts and commissions for the initial public offering and approximately US\$2 million in other costs and expenses for our initial public offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds we received from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates. For the period from June 25, 2020 to December 31, 2023, we had used approximately US\$65 million of the net proceeds received from our initial public offering for (i) expansion of overseas business and new businesses, including establishing research and development centers and taking selling and marketing initiatives overseas, (ii) development and introduction of new mining machines, (iii) corporate branding and marketing activities, and (iv) general corporate purposes, including working capital needs and other corporate uses. We still intend to use the balance of the net proceeds from our initial public offering as disclosed in the registration statement.

From November 2020 to April 2021, we received net proceeds of an aggregate of approximately US\$209 million through follow-on public offerings in connection with three registration statements on Form F-1, as amended (File Nos. 333-249647, 333-252804 and 333-254787, respectively). The offerings were priced at US\$156.9, US\$150.00 and US\$183.00 (US\$5.25, US\$5.00 and US\$6.1 before the Share Consolidation) per unit, respectively, with each unit consisting of one Class A ordinary share and one warrant to purchase one-half of one Class A ordinary share. The registration statements were declared effective by the SEC on November 17, 2020, February 10, 2021 and March 31, 2021, respectively. The total expenses incurred for our company's account in connection with these offerings were approximately US\$14.4 million, which included US\$13.4 million in placement agent fees and approximately US\$1 million in other costs and expenses for these offerings. Univest Securities, LLC was the placement agent for these offerings. None of the transaction expenses in connection with these offerings included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds we received from these follow-on public offerings were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates. For the period from November 17, 2020 to December 31, 2023, we had used approximately US\$86 million of the net proceeds received from our follow-on offerings for (i) development and application of blockchain technology into financial services, (ii) research, development, production and sales of ASICs and equipment related to cryptocurrencies, (iii) establishment of compliant cryptocurrency mining farms, (iv) establishment and operation of Fintech service platforms, (v) corporate branding and marketing activities, and (vi) general corporate purposes, which may include working capital needs and other corporate uses. We still intend to use the net proceeds from such offerings as disclosed in their respective registration statements.

## **ITEM 15. CONTROLS AND PROCEDURES**

### **A. Disclosure Controls and Procedures**

As of December 31, 2023, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). There are inherent limitations to the effectiveness of any disclosure controls and procedures system, including the possibility of human error and circumventing or overriding them. Even if effective, disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, our management has concluded that our disclosure controls and procedures were not effective as of December 31, 2023 and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures was completed, failed to provide reasonable assurance that the information we are required to disclose in the reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management to allow timely decisions regarding required disclosures.

### **B. 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 Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our management evaluated the effectiveness of our internal control over financial reporting, as required by Rule 13a-15(c) of the Exchange Act, 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 our internal control over financial reporting was not effective as of December 31, 2023 due to a material weakness identified in our internal control over financial reporting as described below.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

### ***Internal Control Over Financial Reporting***

During the audit of our financial statements for the year ended December 31, 2023, one material weakness was identified in our internal control over financial reporting. As defined in the standards established by the Public Company Accounting Oversight Board of the United States, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified is related to the lack of sufficient accounting personnel with appropriate experience and knowledge in financial reporting in accordance with U.S. GAAP.

We are in the process of implementing a number of measures to improve our internal control over financial reporting to address the material weakness identified, including: (1) in addition to the CFO and the financial controller, hiring a qualified CFO and a senior financial reporting manager, equipped with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework, (2) formalizing and standardizing our accounting and financial reporting control procedures and policies to improve the quality and accuracy of the period end financial closing process, and (3) enhancing an internal audit function as well as engaging an external consulting firm to help us assess our compliance readiness under rule 13a-15 of the Exchange Act and improve overall internal control.

However, we cannot assure you that we will remediate our material weakness in a timely manner. The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligation. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business Operations—We incur significant costs and demands upon management and accounting and finance resources as a result of complying with the laws and regulations affecting public companies; if we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements and otherwise make timely and accurate public disclosure could be impaired, which could harm our operating results, our ability to operate our business and our reputation.” Additionally, we cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses.

#### **C. Attestation Report of the Registered Public Accounting Firm**

As a company with less than US\$1.235 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company’s internal control over financial reporting.

#### **D. Changes in Internal Control over Financial Reporting**

Subject to the above, there were no other changes in the Company’s internal control over financial reporting that occurred during the year ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

#### **ITEM 16. [RESERVED]**

##### **ITEM 16A. Audit committee financial expert**

We have determined that Yanqing Gao, Tingjie Lyu and Mingming Su are independent, as such term is defined under SEC rules applicable to foreign private issuers. In addition, Mr. Gao is regarded as an audit committee financial expert.

**ITEM 16B. Code of Ethics**

We have adopted a code of ethics applicable to the board of directors and all employees. Since its effective date on April 24, 2020, we have not waived compliance with or amended the code of ethics.

**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 MaloneBailey, LLP, our independent registered public accounting firm, for the periods indicated.

	<b>2023</b>	<b>2022</b>
Audit fees	\$ 669,500	\$ 669,500
Audit related fees	51,500	20,600
Tax fees	-	-
All other fees	-	-
<b>Total</b>	<b>\$ 721,000</b>	<b>\$ 690,100</b>

***Audit Fees***

Audit fees are fees billed for professional services rendered by the principal accountant for the audit of the registrant's 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. It includes the audits of our consolidated financial statements and other services that generally only the independent accountant reasonably can provide, such as statutory audits.

***Audit-Related Fees***

Audit-related fees are fees billed for assurance and related services that are reasonably related to the performance of the audits or review of our consolidated financial statements and not reported under the previous category. These services would include, among others: comfort letters, consents and assistance with and review of documents, accounting consultations and audits in connection with acquisitions, attestation of services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards.

***Tax Fees***

Tax fees are fees billed for professional services for tax compliance, tax advice and tax planning.

***All Other Fees***

All other fees represent the aggregate fees billed in each of the fiscal years listed for services rendered by the principal accountant for the audit of our annual financial statements other than services reported under "Audit Fees," "Audit-related fees," and "Tax fees."

***Pre-Approval Policies and Procedures***

Following the listing of our Class A ordinary shares on Nasdaq, the Audit Committee oversees the auditor selection process for new auditors and ensures key partners in the appointed firm are rotated in accordance with best practices. Also, following our Nasdaq listing, the Audit Committee is required to pre-approve the audit and non-audit fees and services performed by the Company's auditors in order to be sure that the provision of such services does not impair the audit firm's independence.

All of the audit fees, audit-related fees and tax fees described in this item 16C have been approved by the Audit Committee.

**ITEM 16D. Exemptions from the listing standards for audit committees**

None.

**ITEM 16E. Purchases of equity securities by the issuer and affiliated purchasers.**

None.

**ITEM 16F. Change in registrant's certifying accountant**

Not applicable.

**ITEM 16G. Corporate governance**

We are a "foreign private issuer" (as such term is defined in Rule 3b-4 under the Exchange Act), and our Class A ordinary shares are listed on the Nasdaq Global Select Market. The Nasdaq Rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards. For instance, we are not required to:

- have a majority of the board be independent (although all of the members of the audit committee must be independent under the Exchange Act);
- have a compensation committee or a nominations or corporate governance committee consisting entirely of independent directors;
- have an annual general meeting of shareholders each year; or
- have regularly scheduled executive sessions with only independent directors each year.

We have relied on and intend to continue to rely on some of these exemptions.

**ITEM 16H. Mine safety disclosure**

Not applicable.

**ITEM 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

**ITEM 16J. Insider Trading Policies**

Our board of directors has adopted an insider trading policy governing the purchase, sale, and other dispositions of our securities by directors, senior management and employees. A copy of our insider trading policy is included as an exhibit to this annual report.

## **ITEM 16K. Cybersecurity**

### ***Cybersecurity Risk Management and Strategy***

Safeguarding the Company's information systems, assets, data, intellectual property and network infrastructure and ensuring that risks related to cybersecurity threats are appropriately managed is essential to maintaining a consistently high level of service experience for our clients; the confidentiality, integrity and availability of our information systems; and the trust of our stakeholders, as well as meeting applicable regulatory requirements. We have implemented a multi-faceted cybersecurity risk management framework, which is integrated in our overall enterprise risk management system and processes.

Our cybersecurity team is tasked with assessing, identifying and managing risks related to cybersecurity threats and, under the leadership of our Chief Executive Officer, is responsible for:

- proactive detection and assessment of threats and vulnerabilities through vulnerability testing, penetration testing and attack simulation;
- development of risk-based action plans to manage identified vulnerabilities and implementation of new protocols and infrastructure improvements;
- cybersecurity incident investigations, with the assistance of third-party experts as required;
- monitoring threats to sensitive data and unauthorized access to Company systems, with assistance of third-party data loss prevention software and a third-party security operations center;
- performing cybersecurity risk assessments of key vendors and counterparties to ensure compliance with our and our clients' cybersecurity standards;
- developing and executing protocols to ensure that information regarding cybersecurity incidents is promptly shared with our Chief Executive Officer, executive leadership team, audit committee and board of directors, as appropriate, to allow for risk and materiality assessments and to consider disclosure and notice requirements;
- developing and implementing periodic training on cybersecurity, information security and threat awareness; and
- collaborating with law enforcement and other companies on cybersecurity incidents and best practices.

There were no material cybersecurity incidents during the year ended December 31, 2023, that resulted in an interruption to our operations, known losses of any critical data or otherwise had a material impact on the Company's strategy, financial condition or results of operations. However, the scope and impact of any future incident cannot be predicted.

### ***Role of Management***

Our Chief Executive Officer, Dong Hu, leads management's assessment, identification and management of risks related to cybersecurity threats and receives regular briefings on cybersecurity matters from the cybersecurity team, including results of vulnerability testing and remediation, cyber incident response and progress on cybersecurity infrastructure initiatives. Mr. Hu has over 24 years of experience in the network communication and computing industry. See "Item 6A—Directors and Senior Management" for more information on Mr. Hu's expertise.

### ***Role of the Board of Directors***

Our board of directors recognizes the importance of robust cybersecurity management programs and is actively engaged in overseeing and reviewing the Company's cybersecurity risk profile and exposures. Our board of directors has delegated the oversight of our process for assessing, identifying and managing material risks related to cybersecurity threats to the audit committee.

The responsibilities of the audit committee include reviewing the cybersecurity threat landscape facing the Company, as well as our strategy, policies and procedures to mitigate cybersecurity risks and any significant cybersecurity incidents. The audit committee also considers the impact of emerging cybersecurity developments and regulations that may affect the Company.

The audit committee and the board of directors meet periodically with relevant members of management who provide reports on cybersecurity matters including, among others: recent external cybersecurity threats and attack trends; updates to threat monitoring processes; the composition of our cybersecurity team; cybersecurity awareness training and stress testing; cybersecurity strategy; cybersecurity metrics, assessments and peer ratings; and cybersecurity programs. The audit committee has also directed management to inform the committee promptly and, when appropriate the board of directors, of any investigation of a material cybersecurity incident. Where an update has not been provided directly to the board of directors, the audit committee provides the full board of directors with updates on cybersecurity risks and incidents and other matters as needed, and reports to the board of directors on an ad hoc basis with respect to material incidents and other developments that the audit committee believes should have the board of directors' consideration. The audit committee and the board of directors may, from time to time, engage third party advisors and experts, and meet with the Company's external advisors on cybersecurity matters, as appropriate.

### PART III

#### ITEM 17. Financial statements

We have responded to Item 18 in lieu of this item.

#### ITEM 18. Financial statements

Financial Statements are filed as part of this annual report, see pages F-1 to F-34 to this annual report.

#### ITEM 19. Exhibits

<b>Exhibit no.</b>	<b>Description</b>
1.1	<a href="#"><u>Second Amended and Restated Memorandum of Association and Articles of Association of the Registrant, as currently in effect (incorporated herein by reference to Exhibit 3.1 to the Report of Foreign Private Issuer on Form 6-K, furnished with the Securities and Exchange Commission on December 22, 2021)</u></a>
2.1	<a href="#"><u>Form of Warrant (November 2020 Offering) (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-249647), as amended, initially filed with the Securities and Exchange Commission on October 23, 2020)</u></a>
2.2	<a href="#"><u>Form of Warrant (February 2021 Offering) (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-252804), as amended, initially filed with the Securities and Exchange Commission on February 5, 2021)</u></a>
2.3	<a href="#"><u>Form of Warrant (February 2021 Inducement) (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-253784), initially filed with the Securities and Exchange Commission on March 2, 2021)</u></a>
2.4	<a href="#"><u>Form of Warrant (April 2021 Offering) (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-254787), as amended, initially filed with the Securities and Exchange Commission on March 26, 2021)</u></a>
2.5	<a href="#"><u>Description of Securities</u></a>
4.1	<a href="#"><u>Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-237843), as amended, initially filed with the Securities and Exchange Commission on June 17, 2020)</u></a>
4.2	<a href="#"><u>Form of Employment Agreement between the Registrant and each of its executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-237843), as amended, initially filed with the Securities and Exchange Commission on June 17, 2020)</u></a>
4.3	<a href="#"><u>Form of Securities Purchase Agreement (November 2020 Offering) (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-249647), as amended, initially filed with the Securities and Exchange Commission on October 23, 2020)</u></a>
4.5	<a href="#"><u>Form of Securities Purchase Agreement (February 2021 Offering) (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-252804), as amended, initially filed with the Securities and Exchange Commission on February 5, 2021)</u></a>
4.7	<a href="#"><u>Form of Securities Purchase Agreement (April 2021 Offering) (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-254787), as amended, initially filed with the Securities and Exchange Commission on March 26, 2021)</u></a>
4.9	<a href="#"><u>Amended and Restated 2020 Share Incentive Plan (incorporated by reference to Exhibit 10.1 to the registration statement on Form S-8 (File No. 333-257787), filed with the Securities and Exchange Commission on July 9, 2021)</u></a>
4.10	<a href="#"><u>Form of Restricted Share Award Agreement under the Amended and Restated 2020 Share Incentive Plan (incorporated herein by reference to Exhibit 4.10 to the Annual Report on Form 20-F, filed with the Securities and Exchange Commission on April 28, 2023)</u></a>

4.11	<a href="#">2021 Share Incentive Plan (incorporated herein by reference to Appendix A to the Registrant's Proxy Statement, attached as Exhibit 99.1 to the Report of Foreign Private Issuer on Form 6-K, furnished with the Securities and Exchange Commission on November 15, 2021)</a>
4.12	<a href="#">Form of Restricted Share Award Agreement under the 2021 Share Incentive Plan (incorporated herein by reference to Exhibit 4.12 to the Annual Report on Form 20-F, filed with the Securities and Exchange Commission on April 28, 2023)</a>
8.1	<a href="#">List of significant subsidiaries and consolidated affiliated entity of the Registrant</a>
11.1	<a href="#">Insider Trading Policy</a>
12.1	<a href="#">Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1	<a href="#">Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002*</a>
15.1	<a href="#">Consent of Conyers Dill and Pearman</a>
15.2	<a href="#">Consent of Jingtian &amp; Gongcheng</a>
15.3	<a href="#">Consent of MaloneBailey, LLP, Independent Registered Public Accounting Firm</a>
97.1	<a href="#">Clawback Policy</a>
101.INS	Inline XBRL Instance 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 (formatted as Inline XBRL and contained in Exhibit 101).

\* Furnished herewith.

**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.

**EBANG INTERNATIONAL HOLDINGS INC.**

By: /s/ Dong Hu

Name: Dong Hu

Title: Chief Executive Officer and  
Chief Financial Officer

Date: April 26, 2024

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
Ebang International Holdings Inc.

### ***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of Ebang International Holdings Inc. and its subsidiaries (collectively, the “Company”) as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our 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 Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

*/s/ MaloneBailey, LLP*

www.malonebailey.com

We have served as the Company’s auditor since 2019.

Houston, Texas

April 26, 2024

**EBANG INTERNATIONAL HOLDINGS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Stated in US dollars)

	<u>Notes</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		\$ 241,634,262	\$ 251,294,952
Restricted cash, current		88,614	29,039
Short-term investments	4	496,122	5,835,377
Accounts receivable, net	6	946,514	3,334,727
Advances to suppliers		1,071,137	1,178,168
Inventories, net	7	198,846	440,064
Prepayments		304,453	281,611
Other current assets, net		5,691,679	6,711,422
<b>Total current assets</b>		<b><u>250,431,627</u></b>	<b><u>269,105,360</u></b>
<b>Non-current assets:</b>			
Property, plant and equipment, net	8	33,151,061	36,549,278
Intangible assets, net	9	2,329,777	6,890,738
Operating lease right-of-use assets	14	6,119,535	5,343,608
Operating lease right-of-use assets - related parties	14/18	31,197	519,140
Restricted cash, non-current		1,197,286	903,125
Goodwill	3	-	2,299,628
VAT recoverable		4,061,079	21,132,898
Other assets		918,086	1,421,309
<b>Total non-current assets</b>		<b><u>47,808,021</u></b>	<b><u>75,059,724</u></b>
<b>Total assets</b>		<b><u>\$ 298,239,648</u></b>	<b><u>\$ 344,165,084</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable		\$ 292,570	\$ 1,456,577
Accrued liabilities and other payables	10	9,804,848	11,519,091
Operating lease liabilities, current	14	1,764,259	1,217,604
Operating lease liabilities - related parties, current	14/18	28,849	283,567
Advances from customers		69,361	1,010,852
<b>Total current liabilities</b>		<b><u>11,959,887</u></b>	<b><u>15,487,691</u></b>
<b>Non-current liabilities:</b>			
Operating lease liabilities, non-current	14	4,880,844	5,755,973
Operating lease liabilities – related party, non-current	14/18	2,348	-
Deferred tax liabilities	11	74,225	1,133,539
<b>Total non-current liabilities</b>		<b><u>4,957,417</u></b>	<b><u>6,889,512</u></b>
<b>Total liabilities</b>		<b><u>16,917,304</u></b>	<b><u>22,377,203</u></b>
<b>Equity:</b>			
Class A ordinary share, HKD0.03 par value, 11,112,474 shares authorized, 4,989,746 and 4,725,019 shares issued, 4,726,424 and 4,700,852 shares outstanding as of December 31, 2023 and 2022, respectively <sup>(1) (2)</sup>	12	18,178	18,080
Class B ordinary share, HKD0.03 par value, 1,554,192 shares authorized, issued and outstanding as of December 31, 2023 and 2022, respectively <sup>(1)</sup>	12	5,978	5,978
Additional paid-in capital		397,467,795	397,620,927
Statutory reserves	15	11,079,649	11,079,649
Accumulated deficit		(114,840,665)	(78,068,522)
Accumulated other comprehensive loss		(13,887,088)	(11,724,531)
<b>Total Ebang International Holdings Inc. shareholders' equity</b>		<b><u>279,843,847</u></b>	<b><u>318,931,581</u></b>
Non-controlling interest		1,478,497	2,856,300
<b>Total equity</b>		<b><u>281,322,344</u></b>	<b><u>321,787,881</u></b>
<b>Total liabilities and equity</b>		<b><u>\$ 298,239,648</u></b>	<b><u>\$ 344,165,084</u></b>

(1) Retrospectively adjusted for the effect of the Reverse Stock Split effected on November 20, 2022. See Note 12.

(2) As of December 31, 2023 and 2022, 263,322 and 24,167 (725,000 before the Reverse Stock Split) shares reserved for future issuance upon the vesting of RSAs granted under the 2020 Plan were considered issued but not outstanding, respectively. See Note 12.



**EBANG INTERNATIONAL HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(Stated in US dollars)

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
Product revenue		\$ 782,349	\$ 29,537,224	\$ 48,323,022
Service revenue		4,072,832	2,790,895	3,127,225
<b>Total revenues</b>	2/16	<u>4,855,181</u>	<u>32,328,119</u>	<u>51,450,247</u>
Cost of revenues		21,558,986	16,915,795	22,227,055
<b>Gross profit (loss)</b>		<u>(16,703,805)</u>	<u>15,412,324</u>	<u>29,223,192</u>
<b>Operating expenses:</b>				
Selling expenses		1,893,607	1,956,120	1,418,586
General and administrative expenses		29,041,432	40,712,314	25,774,237
Impairment of intangible assets	3/9	3,708,247	20,738,130	-
Impairment of goodwill	3	2,299,628	-	-
<b>Total operating expenses</b>		<u>36,942,914</u>	<u>63,406,564</u>	<u>27,192,823</u>
Gain on disposal of subsidiaries	19	(7,524)	(5,941)	-
<b>Income (loss) from operations</b>		<u>(53,639,195)</u>	<u>(47,988,299)</u>	<u>2,030,369</u>
<b>Other income (expenses):</b>				
Interest income		11,941,453	4,362,832	1,779,672
Interest expenses		-	-	(4,383)
Other income		1,131,178	1,033,622	133,477
Gain (loss) from investment		356,996	(509,496)	(3,656,520)
Net gain on disposal of cryptocurrencies		744,803	-	-
Exchange gain (loss)		456,647	(2,161,264)	1,780,087
Government grants		62,600	81,911	434,604
Other expenses		(119,531)	(649,476)	(108,328)
<b>Total other income</b>		<u>14,574,146</u>	<u>2,158,129</u>	<u>358,609</u>
<b>Income (loss) before income taxes benefit</b>		<u>(39,065,049)</u>	<u>(45,830,170)</u>	<u>2,388,978</u>
Income taxes benefit	11	(1,031,461)	(72,933)	(378,843)
<b>Net income (loss)</b>		<u>(38,033,588)</u>	<u>(45,757,237)</u>	<u>2,767,821</u>
Less: net loss attributable to non-controlling interest		(1,261,445)	(1,868,995)	(1,663,120)
<b>Net income (loss) attributable to Ebang International Holdings Inc.</b>		<u>\$ (36,772,143)</u>	<u>\$ (43,888,242)</u>	<u>\$ 4,430,941</u>
<b>Comprehensive income (loss)</b>				
Net income (loss)		\$ (38,033,588)	\$ (45,757,237)	\$ 2,767,821
<b>Other comprehensive income (loss):</b>				
Foreign currency translation adjustment		(2,278,915)	(5,338,217)	953,073
<b>Total comprehensive income (loss)</b>		(40,312,503)	(51,095,454)	3,720,894
Less: comprehensive loss attributable to non-controlling interest		(1,377,803)	(2,379,686)	(1,461,374)
<b>Comprehensive income (loss) attributable to Ebang International Holdings Inc.</b>		<u>\$ (38,934,700)</u>	<u>\$ (48,715,768)</u>	<u>\$ 5,182,268</u>
<b>Net income (loss) per ordinary share attributable to Ebang International Holdings Inc.</b>				
Basic <sup>(1)</sup>	5	\$ (5.86)	\$ (7.03)	\$ 0.75
Diluted <sup>(1)</sup>	5	\$ (5.86)	\$ (7.03)	\$ 0.75
<b>Weighted average ordinary shares outstanding</b>				
Basic <sup>(1)</sup>	5	6,275,118	6,247,333	5,923,845
Diluted <sup>(1)</sup>	5	6,275,118	6,247,333	5,928,858

(1) Retrospectively adjusted for the effect of the Reverse Stock Split effected on November 20, 2022. See Note 12.

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



**EBANG INTERNATIONAL HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Stated in US dollars)

	Class A Ordinary Shares <sup>(1)(2)</sup>		Class B Ordinary Shares <sup>(1)</sup>		Additional Paid-in Capital	Statutory Reserves	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non- controlling Interest	Total Equity
	Number of Shares	Amount	Number of Shares	Amount						
Balance, January 1, 2021	2,966,985	\$ 11,411	1,554,192	\$ 5,978	\$ 138,288,921	\$ 11,049,847	\$ (38,581,419)	\$ (7,648,332)	\$ 6,697,360	\$ 109,823,766
Share issuance following initial public offering, net of issuance cost	1,220,000	4,693	-	-	186,772,032	-	-	-	-	186,776,725
Share issuance from exercise of warrants, net of issuance cost	453,333	1,744	-	-	67,949,236	-	-	-	-	67,950,980
Share-based compensation	-	-	-	-	707,000	-	-	-	-	707,000
Net income (loss)	-	-	-	-	-	-	4,430,941	-	(1,663,120)	2,767,821
Transfer to reserve	-	-	-	-	-	29,802	(29,802)	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	751,327	201,746	953,073
Balance, December 31, 2021	4,640,318	\$ 17,848	1,554,192	\$ 5,978	\$ 393,717,189	\$ 11,079,649	\$ (34,180,280)	\$ (6,897,005)	\$ 5,235,986	\$ 368,979,365
Issuance of vested restricted share awards	60,534	232	-	-	(232)	-	-	-	-	-
Share-based compensation	-	-	-	-	3,903,970	-	-	-	-	3,903,970
Net loss	-	-	-	-	-	-	(43,888,242)	-	(1,868,995)	(45,757,237)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(4,827,526)	(510,691)	(5,338,217)
Balance, December 31, 2022	4,700,852	\$ 18,080	1,554,192	\$ 5,978	\$ 397,620,927	\$ 11,079,649	\$ (78,068,522)	\$ (11,724,531)	\$ 2,856,300	\$ 321,787,881
Issuance of vested restricted share awards	25,572	98	-	-	(98)	-	-	-	-	-
Share-based compensation	-	-	-	-	(153,034)	-	-	-	-	(153,034)
Net loss	-	-	-	-	-	-	(36,772,143)	-	(1,261,445)	(38,033,588)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(2,162,557)	(116,358)	(2,278,915)
Balance, December 31, 2023	4,726,424	\$ 18,178	1,554,192	\$ 5,978	\$ 397,467,795	\$ 11,079,649	\$ (114,840,665)	\$ (13,887,088)	\$ 1,478,497	\$ 281,322,344

(1) Retrospectively adjusted for the effect of the Reverse Stock Split effected on November 20, 2022. See Note 12.

(2) As of December 31, 2023 and 2022, 263,322 and 24,167 (725,000 before the Reverse Stock Split) shares reserved for future issuance upon the vesting of RSAs granted under the 2020 Plan were considered issued but not outstanding, respectively. See Note 12.

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

**EBANG INTERNATIONAL HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Stated in US dollars)

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ (38,033,588)	\$ (45,757,237)	\$ 2,767,821
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization expenses	3,519,859	10,711,543	6,258,055
Provision for (reversal of) credit losses	975,114	3,803,437	(310,012)
Share-based compensation	(153,034)	3,903,970	707,000
Loss on disposal of property, plant and equipment	478,849	547,338	9,243
Loss on disposal of intangible assets	200,000	-	-
Inventory write-down	340,186	6,482,019	2,233,452
(Gain) Loss on short-term investment	(356,996)	509,496	3,656,520
Impairment of goodwill	2,299,628	-	-
Deferred income taxes	(1,031,461)	(80,599)	(2,845,588)
Impairment of property, plant and equipment	57,117	-	3,109,922
Impairment of intangible assets	3,708,247	20,738,130	-
Impairment of VAT recoverable	16,688,647	4,474,784	-
Loss from cybersecurity event	2,251,551	-	-
Noncash lease expenses	1,835,542	1,711,943	1,066,838
(Gain) Loss on foreign currency transactions	(456,647)	2,161,264	(1,780,087)
Gain on disposal of cryptocurrencies	(744,803)	-	-
Gain on disposal of subsidiaries	(7,524)	(5,941)	-
Changes in assets and liabilities:			
Accounts receivable, net	2,612,509	2,882,106	333,888
Notes receivable	-	-	775,206
Inventories, net	(122,326)	(185,504)	(5,392,810)
Advances to suppliers	106,246	(178,639)	(818,666)
VAT recoverable	(133,790)	(1,247,508)	(3,799,426)
Prepayments and other current assets, net	956,970	10,410,167	(2,951,664)
Other assets	(323,279)	(850,791)	(51,928)
Accounts payable	(1,130,842)	(1,787,125)	559,817
Notes payable	-	-	(1,100,792)
Income taxes payable	-	-	705
Advances from customers	(916,451)	163,883	51,792
Accrued liabilities and other payables	(4,272,841)	(14,109,951)	(18,329,126)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(11,653,117)</b>	<b>4,296,785</b>	<b>(15,849,840)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(985,794)	(3,803,943)	(6,153,759)
Purchases of intangible assets	-	(10,260,785)	(2,365,495)
Cash paid for short-term investments	-	(28,552,566)	(472,357,646)
Collections from short-term investments	5,694,982	55,101,678	474,365,880
Purchase of cryptocurrencies	(9,162,886)	-	-
Proceeds from disposal of cryptocurrencies	7,199,398	-	-
Payments for business combination, net of cash acquired	-	(5,863,499)	-
Cash from disposal of subsidiaries, net of cash disposed of	7,524	(11,492)	-
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>2,753,224</b>	<b>6,609,393</b>	<b>(6,511,020)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of short-term loans	-	-	(771,629)
Repayment to related parties	-	-	(5,671,902)
Proceeds from issuance of ordinary shares	-	-	254,727,705
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>248,284,174</b>
<b>EFFECT OF FOREIGN EXCHANGE ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>			
	(407,061)	394,336	879,537
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(9,306,954)</b>	<b>11,300,514</b>	<b>226,802,851</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<b>252,227,116</b>	<b>240,926,602</b>	<b>14,123,751</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<b>\$ 242,920,162</b>	<b>\$ 252,227,116</b>	<b>\$ 240,926,602</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			

Cash paid for:			
Interest	\$ -	\$ -	\$ 4,382
Income taxes	\$ -	\$ 7,666	\$ 928

**NON-CASH INVESTING AND FINANCING ACTIVITIES:**

Liabilities assumed in connection with purchase of property, plant and equipment	\$ 34,596	\$ 4,616,480	\$ 3,318,477
Liabilities assumed in connection with purchase of intangible assets	\$ -	\$ 5,440	\$ 366,407
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 1,801,664	\$ 5,394,251	\$ 3,387,501
Remeasurement of the lease liabilities and right-of-use assets due to lease modification	\$ 320,911	\$ 1,485,436	\$ -
Issuance of vested restricted share awards	\$ 98	\$ 232	\$ -

**Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets**

Cash and cash equivalents	\$ 241,634,262	\$ 251,294,952	\$ 239,872,316
Restricted cash, current	88,614	29,039	171,156
Restricted cash, non-current	1,197,286	903,125	883,130
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 242,920,162</b>	<b>\$ 252,227,116</b>	<b>\$ 240,926,602</b>

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

**EBANG INTERNATIONAL HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(In U.S. Dollars, unless stated otherwise)

**Note 1 – Nature of business and organization**

Ebang International Holdings Inc. (“Ebang International”) was incorporated on May 17, 2018, as a holding company, as an exempted company with limited liability in the Cayman Islands. Ebang International principally engages in manufacturing and selling high-performance bitcoin mining machines and telecommunication products, and provides financial technology (“Fintech”) services through independently developed Fintech service platforms.

Ebang International and its consolidated subsidiaries are collectively referred to herein as the “Company”, “we” and “us”, unless specific reference is made to an entity.

**Corporate Structure**

Ebang International Holdings Inc. is a holding company incorporated in the Cayman Islands that does not have substantive operations. We conduct our businesses through our subsidiaries. As of December 31, 2023, the principal subsidiaries of the Company consist of the following entities:

Name	Background	Ownership
Hangzhou Dewang Information Technology Co., Ltd. (“Hangzhou Dewang”)	<ul style="list-style-type: none"> <li>● A PRC limited liability company</li> <li>● Incorporated on December 31, 2015</li> <li>● Principally for the design and manufacture of blockchain chips</li> </ul>	51.05% owned by Ebang International through its subsidiaries
Ebang Communications (HK) Technology Limited (“HK Ebang Communications”), formerly known as Hong Kong Bite Co., Ltd.	<ul style="list-style-type: none"> <li>● A Hong Kong company</li> <li>● Incorporated on February 12, 2016</li> <li>● Principally for the trading of blockchain chips</li> </ul>	100% owned by Ebang International through its subsidiaries
Zhejiang Ebang Communication Technology Co., Ltd. (“Zhejiang Ebang”)	<ul style="list-style-type: none"> <li>● A PRC limited liability company</li> <li>● Incorporated on January 21, 2010</li> <li>● Principally holding our businesses in the design, manufacture and sale of telecommunications and blockchain processing equipment</li> </ul>	99.99% owned by Ebang International through its subsidiaries
Zhejiang Ebang Information Technology Co., Ltd. (“Ebang IT”)	<ul style="list-style-type: none"> <li>● A PRC limited liability company</li> <li>● Incorporated on August 11, 2010</li> <li>● Principally for the design, manufacture and sale of telecommunications and blockchain processing equipment</li> </ul>	99.99% owned by Ebang International through its subsidiaries
Ebonex Australia Pty Ltd (“Ebonex Australia”)	<ul style="list-style-type: none"> <li>● An Australia company</li> <li>● Incorporated on April 22, 2021</li> <li>● Principally for operating the cryptocurrency exchange platform</li> </ul>	100% owned by Ebang International through its subsidiaries
Compass Global Holdings Pty Ltd (“Compass Global”)	<ul style="list-style-type: none"> <li>● An Australia company</li> <li>● Acquired on March 21, 2022</li> <li>● Principally for operating the cross-border payment and foreign exchange business</li> </ul>	100% owned by Ebang International through its subsidiaries

## **Note 2 – Summary of significant accounting policies**

### Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for information pursuant to the rules and regulations of the SEC.

### Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

### Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on net earnings and financial position.

### Non-controlling Interest

Non-controlling interest on the consolidated balance sheets is primarily resulted from the consolidation of Hangzhou Dewang, a 51.05% owned subsidiary, and Shanghai Yijiaxin IC Design Co., Ltd. (“Shanghai Yijiaxin”), a wholly-owned subsidiary of Hangzhou Dewang, which became effectively 51.05% owned by the Company. The portion of the income or loss applicable to the non-controlling interest in the subsidiaries are reflected in the consolidated statements of operations and comprehensive income (loss).

### Use of estimates and assumptions

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and revenues and expenses during the reporting periods. Significant accounting estimates reflected in the Company’s consolidated financial statements include the impairment of goodwill and an intangible asset recognized from a business combination, and the purchase price allocation relating to a business combination. Other accounting estimates include, but not limited to, estimates for inventory write-down, share-based compensation, useful lives of long-lived assets, impairment of long-lived assets other than impairment of an intangible asset recognized from a business combination, which is considered as a significant accounting estimate, credit losses, income taxes including valuation allowance for deferred tax assets and implicit interest rate of operating leases. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

### Foreign currency translation and transaction

The accompanying consolidated financial statements are presented in the United States dollar (“\$, or US\$”), which is the reporting currency of the Company. The functional currency of HK Ebang Communications, HK Ebang Information, all US and BVI entities is United State dollars, the functional currency of Ebang International, HK Ebang Technology is Hong Kong dollar (“HKD”), the functional currency of the PRC subsidiaries is Renminbi (“RMB”), the functional currency of the Australian entities is Australian dollar (“AUD”), and the functional currencies of the remaining subsidiaries are generally the local currencies used in the countries where these subsidiaries are incorporated.

Assets and liabilities denominated in currencies other than the reporting currency are translated into the reporting currency at the rates of exchange ruling at the balance sheet date. Revenues, costs and expenses are translated at the average rates for the annual period. Translation gains and losses are recognized in the consolidated statements of operations and comprehensive income (loss) as other comprehensive income (loss). Transactions in currencies other than the reporting currency are measured and recorded in the reporting currency at the exchange rate prevailing on the transaction date. The cumulative gain or loss from foreign currency transactions is reflected in the consolidated statements of operations and comprehensive income (loss) as exchange gain (loss).

### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and time deposits placed with banks or other financial institutions and have original maturities of less than three months.

### Restricted cash

Restricted cash mainly represents the bank deposit pledged in exchange for bank guarantee services related to the Company's performance of product repairment under factory warranty. As of December 31, 2023 and 2022 the Company had restricted cash balance of US\$1,285,900 and US\$932,164, respectively.

### Short-term investments

The Company's short-term investments consist of investments in marketable securities, which are accounted for under ASC 321 and reported at their readily determinable fair values as quoted by market exchanges with changes in fair value recognized in earnings.

Short-term investments also include wealth management products with certain financial institutions, which are subject to variable rates of return or not principal-guaranteed. These investments are classified as available-for-sale debt securities and reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income (loss) on the consolidated balance sheets, if any. Realized gains and losses from the sale of available-for-sale debt securities are determined on an aggregate approach basis and are included in the consolidated statements of operations and comprehensive income (loss).

In addition, short-term investments are also comprised of time deposits placed with banks with original maturities of greater than three months but less than twelve months.

### Current expected credit losses

The Company's financial assets, primarily accounts receivable and other receivable, are within the scope of ASC Topic 326. The Company has identified the relevant risk characteristics of its customers and the related receivables and other current assets which include type of the products and services the Company provides, nature of the customers or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Company considers the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact the Company's receivables. Additionally, external data and macroeconomic factors are also considered.

For the years ended December 31, 2023, 2022 and 2021, the Company recorded credit losses on other receivable of US\$1,279,226, US\$1,835,121 and nil, respectively, and credit losses (reversal of credit losses) on accounts receivable of US\$(304,112), US\$1,968,316 and US\$(310,012), respectively.

### Inventories, net

Inventories consist of finished goods, work in process, and raw materials. Inventories are stated at the lower of cost and net realizable value. Cost of inventory is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving and obsolete inventory, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Company takes ownership, risks and rewards of the products purchased.

### Business combination

The Company accounts for its business combination using the acquisition method of accounting. The purchase price of the acquisition is allocated to the assets, liabilities, identifiable intangible assets acquired, and non-controlling interest, if any, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses are expensed as incurred. Consideration transferred in a business acquisition is measured at fair value as of the date of acquisition. Transaction costs directly attributable to the acquisition are expensed as incurred.

### Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired in a business combination. In accordance with ASC Topic 350, Goodwill and Other Intangible Assets ("ASC 350"), recorded goodwill amounts are not amortized, but rather assessed for impairment annually or more frequently if there are indicators of impairment present, applying a fair-value based test.

When performing the annual impairment test, the Company has the option of performing a qualitative or quantitative assessment to determine if an impairment has occurred. If a qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the Company would be required to perform a quantitative impairment analysis for goodwill. The quantitative analysis requires a comparison of fair value of the reporting unit to the carrying value, including goodwill. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The fair value is generally determined using the income approach.

### Property, plant and equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	20 years
Computer software	10 years
Leasehold improvements	Over the shorter of the lease term or expected useful lives
Office equipment	3-5 years
Motor vehicles	5 years
Mechanical equipment	3-10 years

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the consolidated statements of operations and comprehensive income (loss). Expenditures for maintenance and repairs are charged to earnings as incurred, while additions, renewals and betterments, which are expected to extend the useful life of assets, are capitalized.

Construction in progress represents assets under construction. All direct costs relating to the construction are capitalized as construction in progress. Construction in progress is not depreciated until the asset is placed in service.

### Cryptocurrencies

Cryptocurrencies held are accounted for as intangible assets with indefinite useful lives. An intangible asset with an indefinite useful life is not amortized but assessed for impairment quarterly, or more frequently, when events or changes in circumstances occur, principally decreases in the quoted prices of the cryptocurrencies, indicating that it is more likely than not that the indefinite-lived asset is impaired. In determining if an impairment has occurred, the Company considers the intraday lowest quoted price of one unit of cryptocurrency since acquiring the cryptocurrency. If the then current carrying value of the unit of cryptocurrency exceeds the fair value so determined, an impairment loss has occurred with respect to those units of cryptocurrencies in the amount equal to the difference between their carrying values and the fair value determined. 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. For the years ended December 31, 2023, 2022 and 2021, the Company did not recognize any impairment loss.

The purchases and sales of cryptocurrencies are included within investing activities in the accompanying consolidated statements of cash flows and any realized gains or losses from such sales are included in gain or loss of disposal of cryptocurrencies in the consolidated statements of operations and comprehensive income (loss). The Company accounts for its gains or losses in accordance with the first-in-first-out (FIFO) method of accounting.

Receivables settled in cryptocurrencies are measured at fair value of the underlying cryptocurrencies based on their respective quoted price initially and subsequently on the measurement date. The change in fair value of the underlying cryptocurrencies is recognized as other income or expenses on the consolidated statements of operations and comprehensive income (loss). Receivable settled in cryptocurrencies is further adjusted for expected credit losses.

The cryptocurrencies held are included in other assets on the consolidated balance sheets. As of December 31, 2023 and 2022, the balance of cryptocurrencies and receivable settled in cryptocurrencies were immaterial.

### Intangible assets, net

The Company's intangible assets with definite useful lives primarily consist of software, non-patent technology, patents, land use right and a license acquired in connection with the business combination. The Company typically amortizes its software, non-patent technology, patents and license with definite useful lives on a straight-line basis over the shorter of the contractual terms or the estimated useful lives.

The intangible asset acquired in connection with the business combination is recognized and measured at fair value at the time of acquisition. See Note 3.

According to the law of PRC, the government owns all the land in the PRC. Companies or individuals are authorized to possess and use the land only through land use rights granted by the Chinese government for a specified period of time. The Company amortizes its land use rights using the straight-line method over the periods the rights are granted.

The estimated useful lives are as follows:

Land use right	50 years
Software	18 - 65 months
Non-patent technology	1 - 3 years
Patents	2 - 10 years
License	20 years

### Impairment of long-lived assets other than goodwill

Long-lived assets, including property, plant and equipment, right-of-use assets and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company assesses the recoverability of the assets based on the undiscounted future cash flows the assets are expected to generate and recognizes an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from the disposition of the asset, if any, are less than the carrying value of the asset. If an impairment is identified, the Company would reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values.

### Fair value measurement

The accounting standard regarding the fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company.

The accounting standards define fair value, establish a three-level valuation hierarchy for disclosures of fair value measurement and enhance disclosure requirements for fair value measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value. Unobservable inputs reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities:

(1) market approach; (2) income approach; and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

The financial asset carried at fair value on a recurring basis as of December 31, 2023 and 2022 is as follows:

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Balance</b>
Short-term investments				
As of December 31, 2023	\$ 496,122	\$ -	\$ -	\$ 496,122
As of December 31, 2022	\$ 5,611,815	\$ 223,562	\$ -	\$ 5,835,377

Financial instruments included in current assets and current liabilities except for short-term investments and operating lease liability – related parties, current is reported in the consolidated balance sheets at face value or cost, which approximate fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

The Company's non-financial assets, including cryptocurrencies, intangible assets, goodwill and property, plant and equipment are measured at fair value when an impairment charge is recognized. Fair value of cryptocurrencies is based on quoted prices in active markets.

### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated. It is not, however, practical to determine the fair value of amounts due from/to related parties due to their related party nature.

### Revenue recognition

The Company accounts for its revenue in accordance with ASC 606, Revenue from Contracts with Customers ("Topic 606") for all periods presented. Consistent with the criteria of Topic 606, the Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services to the extent the Company deems the collection of such consideration is probable. Value-added tax that the Company collects concurrent with revenue-producing activities is excluded from revenue.

#### *Products revenue*

The Company generates product revenue from the sale of Bitcoin mining machines and related accessories directly to a customer, such as a business or individual engaged in Bitcoin mining activities. The Company recognizes revenue at a point in time when the control of the products has been transferred to customers. The transfer of control is considered complete when products have been picked up by or shipped to customers. The Company's sales arrangements for Bitcoin mining machines usually require a full prepayment before the delivery of products. The advance payment is not considered a significant financing component because the period between the Company transfers a promised good to a customer and when the customer pays for that good is short. The Company also offers credit sales to certain customers and the payment terms under credit sales generally consist of full payment of consideration within one year after the shipping date.

The Company also generates revenue from the sale of telecommunication products directly to a customer, such as a business or individual engaged in telecommunication businesses. The Company recognizes revenue at a point in time when products are delivered and customer acceptance is received. For the sales arrangements of telecommunications products, the Company generally requires payment upon issuance of invoices.

The Company elected to account for shipping and handling fees that occur after the customer has obtained control of goods, for instance, free on board shipping point arrangements, as a fulfillment cost and accrues for such costs. The Company provides factory warranty for the products sold, and the repairment cost incurred was immaterial for the years ended December 31, 2023, 2022 and 2021.

#### *Service revenue - Management and maintenance services*

The Company generates revenue from management and maintenance services under separate contracts. Revenue from management services primarily includes service fees for the provision of mining machine hosting services to customers and maintenance services primarily relates to the Company's repairment service for the telecommunication equipment the Company sold to its customers. The Company halted mining machine hosting services in the PRC at the end of April 2021. Revenue from the maintenance service to the customer is recognized at a point in time when services are provided. Revenue from the management service to the customer is recognized as the performance obligation is satisfied over time over the service period.

#### *Service revenue - Cross-border payment and foreign exchange services*

The Company generates revenue from cross-border payment and foreign exchange services started from March 2022 in connection with the acquisition of Compass Global Holdings Pty Ltd. See Note 3.

For the majority of the cross-border payment and foreign exchange services, customers agree to terms and conditions for all transactions, either at the time of initiating a transaction or signing a contract with the Company to provide payment services to the customers. Revenue is measured as the difference between the exchange rate set by the Company to the customer and a rate available in the wholesale foreign exchange market. The Company executes the transaction and makes payments to the recipient to satisfy its performance obligation to the customer, and therefore, the Company recognizes revenue at a point in time when this performance obligation has been fulfilled.

#### *Service revenue - Cryptocurrency exchange services*

The Company generates revenue from cryptocurrency exchange service by facilitating the customers' cryptocurrency transactions via the Company's proprietary exchange platform or through an offline, over-the-counter ("OTC") transaction facilitation process. The Company acts as an agent in the transactions and presents revenue for the fees earned on a net basis.

Cryptocurrency exchange transactions were matched on the Company's proprietary exchange platform when a customer submits an offer to buy, sell, or convert cryptocurrencies, and another customer accepts and settles that offer. The Company charges a service fee in fiat currency or cryptocurrencies at transaction level in amount calculated based on volume which varies depending on the payment type and the value of the transaction. The Company also conducts cryptocurrency exchange services through its OTC execution typically by acting as an agent and providing transaction matching to the customers' offers through the utilization of liquidity providers. In the case when a customer raises the need to buy cryptocurrencies, the Company will help the customer to look for a matching need to sell the same quantity of cryptocurrencies from a liquidity provider. When the Company finds such a liquidity provider, the Company asks for the selling rate, and applies a margin to the rate and offer to the customer. If the customer agrees to the rate, the Company facilitates the transaction. Revenue generated from the transaction matching through OTC facilitation is measured to be the margin applied to the rate set by the liquidity provider and the transaction price is charged and collected in fiat currency. The Company considers its performance obligation satisfied and recognizes revenue at a point in time when the transaction is processed. Contracts with customers are usually open-ended and can be terminated by either party without a termination penalty. Therefore, contracts are defined at the transaction level and do not extend beyond the service already provided. The Company does not provide refunds, concession, or reversal of a completed transaction.

Judgment is required in determining whether the Company is the principal or the agent in transactions among customer or between customers and liquidity providers. The Company evaluates the presentation of revenue on a gross or net basis based on whether it controls the cryptocurrency provided before it is transferred to the customer (gross) or whether it acts as an agent by arranging for another customer or a liquidity provider to provide the cryptocurrency to the customer (net). The Company does not control the cryptocurrency being provided before it is transferred to the buyer and does not have inventory risk related to the cryptocurrency. The Company also does not set the price for the cryptocurrency as the price involved in the transaction is a market or a negotiated rate between customers or parties. As a result, the Company acts as an agent in facilitating the ability for a customer to purchase cryptocurrencies from another customer.

The Company commenced the cryptocurrency exchange business in 2022. For the years ended December 31, 2023 and 2022, the revenue generated from the cryptocurrency exchange services was primarily from the transaction matching facilitated through OTC execution.

#### *Revenue disaggregation*

Management has concluded that the disaggregation level is the same under both the revenue standard and the segment reporting standard. Revenue under the segment reporting standard is measured on the same basis as under the revenue standard. See Note 16 for information regarding revenue disaggregation by revenue streams and countries.

### Contract liabilities

Contract liabilities are recorded when consideration is received from a customer prior to transferring the goods or services to the customer or other conditions under the terms of a sales contract. As of December 31, 2023 and 2022, the Company recorded contract liabilities of US\$69,361 and US\$1,010,852, respectively, which were presented as advances from customers on the accompanying consolidated balance sheets. During the years ended December 31, 2023, 2022 and 2021, the Company recognized US\$1,209, US\$31,761 and US\$126,333, of contract liabilities as revenue, respectively.

### Segment reporting

The Company uses the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company’s chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company’s reportable segments. The Company’s chief operating decision maker has been identified as the chief executive officer of the Company who reviews financial information based on U.S. GAAP. The chief operating decision maker now reviews results analyzed by the marketing channel. This analysis is only presented at the revenue level with no allocation of direct or indirect costs. Consequently, the Company has determined that it has only one operating segment.

### Selling and handling expenses

Selling and handling costs amounted to US\$6,630, US\$8,745 and US\$54,473 for the years ended December 31, 2023, 2022 and 2021, respectively. Selling and handling costs are expensed as incurred and included in selling expenses.

### General and administrative expenses

General and administrative expenses consist primarily of research and development expenses, salary and welfare for general and administrative personnel, rental expenses, depreciation and amortization associated with general and administrative personnel, allowance for doubtful accounts, impairment of intangible assets, entertainment expenses, general office expenses and professional service fees.

The Company recognizes research and development expenses when incurred. Research and development expenses amounted to US\$7,401,430, US\$5,147,364 and US\$6,557,208 for the years ended December 31, 2023, 2022 and 2021, respectively.

### Operating leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, operating lease liability, current, and operating lease liability, non-current in the Company’s consolidated balance sheets. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. For the initial measurement of the lease liabilities, the Company uses the discount rate as of the commencement date of the lease, incorporating the entire lease term. Operating lease liabilities related to lease payments due within one year and over are classified as current and non-current, respectively, in the consolidated balance sheets. The ROU asset is measured as the amount of the lease liabilities with adjustments, if applicable, for lease prepayments made prior to or at lease commencement, initial direct costs incurred and lease incentives. When determining the lease term, the Company includes options to extend or terminate the lease when it is reasonably certain that it will exercise that option, if any. As the Company’s leases do not provide an implicit rate, the Company used an incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. For leases that have lease terms of 12 months or less and do not include a purchase option that is reasonably certain to exercise, the Company elected not to apply ASC 842 recognition requirements.

### Government grants

Government grants represent cash subsidies received from PRC government. Cash subsidies that have no defined rules and regulations to govern the criteria necessary for companies to enjoy the benefits are recognized when received. Such subsidies are generally provided as incentives from the local government to encourage the expansion of local businesses. Total government grants received amounted to US\$62,600, US\$81,911 and US\$434,604 for the years ended December 31, 2023, 2022 and 2021, respectively.

### Value-added taxes

Revenue is recognized net of value-added taxes (“VAT”). VAT is based on gross sales price and the VAT rate applicable to the Company is 17% for the period from the beginning of 2018 until the end of April 2018, then changed to 16% from May 2018 to the end of March 2019, and changed to 13% since April 2019. Entities that are VAT general taxpayers are allowed to offset qualified input VAT paid to suppliers against their output VAT liabilities. Net VAT balance between input VAT and output VAT is recorded as VAT payable if output VAT is larger than input VAT and is recorded as VAT recoverable if input VAT is larger than output VAT. All of the VAT returns filed by the Company’s subsidiaries in China, have been and remain subject to examination by the tax authorities. Furthermore, the Company’s subsidiaries in China may be qualified to receive a refund on VAT for the excess input VAT after meeting certain prerequisites specified in relevant regulations prescribed by the State Tax Bureau of the PRC.

For the years ended December 31, 2023, 2022 and 2021, the Company recorded impairment on VAT recoverable of US\$16.7 million, US\$4.5 million and nil, respectively, included in the cost of revenues on the consolidated statements of operations and comprehensive income (loss). The impairment of VAT recoverable incurred during the years ended December 31, 2023 and 2022 were primarily related to Zhejiang Ebang and Wuhai Ebang, respectively, as the Company determined the VAT could not be recovered. The Company expects to use or receive the remaining VAT recoverable in future operations.

### Income taxes

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

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

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

### Comprehensive income (loss).

Comprehensive income (loss) consists of two components, net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under GAAP are recorded as an element of shareholders’ equity but are excluded from net income (loss). Other comprehensive income (loss) consists of a foreign currency translation adjustment resulting from the Company not using the United States dollar as its functional currency.

### Earnings (loss) per share

The Company computes earnings (loss) per share (“EPS”) in accordance with ASC 260, “Earnings per Share”. ASC 260 requires companies to present basic and diluted EPS. Basic EPS is measured as net income (loss) attributable to Ebang International Holdings Inc., divided by the weighted average ordinary share outstanding for the period. Diluted EPS presents the dilutive effect on a per-share basis of the potential ordinary shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later.

### Statutory reserves

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

### Concentration of credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places the cash and cash equivalents with financial institutions with high credit ratings and quality.

The Company conducts credit evaluations of customers and generally does not require collateral or other security from its customers. The Company establishes an allowance for doubtful accounts primarily based upon various factors surrounding the credit risk of specific customers and general economic conditions. Refer to the current expected credit loss policy.

### Recently issued accounting pronouncements

In November 2023, FASB issued Accounting Standards Update No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”), which requires that an entity disclose significant segment expenses impacting profit and loss that are regularly provided to the chief operating decision maker. The update is required to be applied retrospectively to prior periods presented, based on the significant segment expense categories identified and disclosed in the period of adoption. The amendments in ASU 2023-07 are required to be adopted for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company has adopted ASU 2023-07 on January 1, 2024 and the adoption of the standard did not have a material impact to the overall financial presentation.

In December 2023, the FASB issued Accounting Standards Update No. 2023-08, Accounting for and Disclosure of Crypto Assets (“ASU 2023-08”), which requires entities that hold crypto assets to subsequently measure such assets at fair value with changes recognized in net income each reporting period. The guidance also requires crypto assets measured at fair value to be presented separately from other intangible assets on the balance sheet and changes in the fair value measurement of crypto assets to be presented separately on the income statement from changes in the carrying amounts of other intangible assets. The new standard is effective for the Company beginning December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting the standard.

In December, 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 requires that entities disclose specific categories in their rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. The new standard is effective for the Company beginning December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting the standard.

### Note 3 – Business Acquisition and Goodwill

#### Acquisitions in 2022

Compass Global Holdings Pty Ltd (“Compass Global”).

On March 21, 2022, the Company acquired 100% equity interests of Compass Global for a total cash consideration of AUD8,000,000 (approximately US\$5.9 million). Upon the acquisition, Compass Global became a consolidated subsidiary of the Company.

The total purchase consideration of AUD8 million (approximately US\$5.9 million) consisted of a cash payment of approximately AUD4.2 million (approximately US\$3.1 million) to the former shareholders of Compass Global and approximately AUD3.8 million (approximately US\$2.8 million) to settle liabilities. The assets and liabilities of Compass Global were recorded at their respective estimated fair value as of the acquisition date.

The following table summarizes the purchase price allocation of the assets acquired, liabilities assumed and related deferred income tax assumed at the date of acquisition. The dollar amount presented in the table was based on the exchange rate of AUD1.00 to US\$0.7401 on March 21, 2022.

	<b>Amount in US\$</b>
Current assets	13,341,925
Other non-current assets	20,684
License	4,537,549
Total assets acquired	17,900,158
Current liabilities	(13,340,550)
Deferred tax liabilities	(1,134,387)
Total liabilities assumed	(14,474,937)
Net identifiable assets acquired	3,425,221
Total consideration	5,920,795
Goodwill	2,495,574

Goodwill, which is not tax deductible, is primarily attributable to the excess of the purchase consideration over the fair value of the net identifiable assets of the acquiree and is related to synergies expected to be achieved from the acquisition.

The fair value of the financial license is determined using the multi-period excess earnings method.

The determination of fair values involves the use of significant judgments and estimates. The judgments used to estimate the fair value assigned to assets acquired and liabilities assumed, the life of the intangible asset, as well as the significant assumptions, can materially impact the Company's consolidated financial statements. Significant assumptions used for the model include the forecasted operating cash flows and discount rate. The Company utilized the assistance of a third-party valuation firm to determine the fair value as of the date of acquisition.

The revenue and net income since the acquisition date included in the consolidated statements of operations and comprehensive income (loss) for the period ended December 31, 2022 were US\$2,634,580 and US\$111,175, respectively. Pro forma results reflecting this transaction were not presented because they are not significant to the Company's consolidated financial results.

#### *Impairment of goodwill and intangible assets related to entity acquired*

As a result of the assessment over the operating results of Compass Global, the Company recognized impairment loss on goodwill of US\$2,299,628 and the license of US\$3,708,247 during the year ended December 31, 2023. The Company used the income approach with the discounted cash flow valuation method to estimate the fair value of Compass Global, and used the multi-period excess earnings method to estimate the fair value of the license with the assistance of a third-party valuation specialist. The determination of fair value requires management to make significant estimates and assumptions related to forecasted revenues and cash flows and the discount rate.

#### **Note 4 – Short-term investments**

Short-term investments consist of the following:

	<b>As of December 31, 2023</b>	<b>As of December 31, 2022</b>
Marketable securities	\$ 496,122	\$ 5,611,815
Time deposits	-	172,402
Wealth management products	-	51,160
Total	<u>\$ 496,122</u>	<u>\$ 5,835,377</u>

The balances of wealth management products as of December 31, 2022 represent wealth management products with variable rates of return or non-principle-guaranteed purchased from commercial banks.

For the years ended December 31, 2023, 2022 and 2021, the unrealized (gain) loss related to investments in marketable securities was US\$(35,758), US\$640,998 and US\$3,890,427, respectively.

There was no unrealized gain or loss associated with the wealth management products as of December 31, 2023 and 2022. No impairment charges were recorded for the years ended December 31, 2023, 2022 and 2021.

## Note 5 – Earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the income attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue for the years ended December 31, 2023, 2022 and 2021.

The earnings (loss) calculation for the years ended December 31, 2023, 2022 and 2021 excludes the following potentially dilutive ordinary shares:

	Years ended December 31,		
	2023	2022	2021
Class A ordinary shares exercisable from warrants issued pursuant to the Warrant Inducement Offering (as defined below in Note 12) <sup>(1)</sup>	453,333	453,333	453,333
Class A ordinary shares exercisable from warrants issued pursuant to the March 2021 Offering (as defined below in Note 12) <sup>(1)</sup>	233,333	233,333	233,333
Class A ordinary shares issuable from the outstanding restricted share awards <sup>(1)</sup>	91,419	133,067	53,000
<b>Total</b>	<b>778,085</b>	<b>819,733</b>	<b>739,666</b>

(1) Retrospectively adjusted for the effect of the Reverse Stock Split effected on November 20, 2022. See Note 12.

The following reflects the income/(loss) and share data used in the basic and diluted earnings (loss) per ordinary share computations:

	Years ended December 31,		
	2023	2022	2021
Earnings (loss) attributable to ordinary shareholders of the Company for basic earnings (loss) per share calculation	\$ (36,772,143)	\$ (43,888,242)	\$ 4,430,941
Weighted average number of ordinary shares outstanding for basic earnings (loss) per share calculation <sup>(1)</sup>	6,275,118	6,247,333	5,923,845
<b>Basic earnings (loss) per share<sup>(1)</sup></b>	<b>\$ (5.86)</b>	<b>\$ (7.03)</b>	<b>\$ 0.75</b>
Earnings (loss) attributable to ordinary shareholders of the Company for diluted earnings (loss) per share calculation	\$ (36,772,143)	\$ (43,888,242)	\$ 4,430,941
Weighted average number of ordinary shares outstanding basic earnings (loss) per share calculation <sup>(1)</sup>	6,275,118	6,247,333	5,923,845
Adjusted for:			
- incremental shares issuable related to warrants issued <sup>(1)</sup>	-	-	5,013
Weighted average number of shares outstanding for diluted earnings (loss) per share calculation <sup>(1)</sup>	6,275,118	6,247,333	5,928,858
<b>Diluted earnings (loss) per share<sup>(1)</sup></b>	<b>\$ (5.86)</b>	<b>\$ (7.03)</b>	<b>\$ 0.75</b>

(1) Retrospectively adjusted for the effect of the Reverse Stock Split effected on November 20, 2022. See Note 12.

## Note 6 – Accounts receivable, net

Accounts receivable, net consist of the following:

	As of December 31, 2023	As of December 31, 2022
Accounts receivable	\$ 3,021,794	\$ 6,858,185
Less: Allowance for doubtful accounts	(2,075,280)	(3,523,458)
Accounts receivable, net	<u>\$ 946,514</u>	<u>\$ 3,334,727</u>

Movements of allowance for doubtful accounts are as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
Allowance for doubtful accounts, beginning balance	\$ 3,523,458	\$ 4,601,637	\$ 4,788,855
Provision for (reversal of) doubtful accounts	(304,112)	1,968,316	(310,012)
Uncollectible accounts receivable written-off	(981,152)	(2,705,446)	-
Effects of foreign exchange rate	(162,914)	(341,049)	122,794
Allowance for doubtful accounts, ending balance	<u>\$ 2,075,280</u>	<u>\$ 3,523,458</u>	<u>\$ 4,601,637</u>

**Note 7 – Inventories, net**

	As of December 31, 2023	As of December 31, 2022
Finished goods	\$ 10,064,160	\$ 10,627,535
Work in process	938,289	953,088
Raw materials	<u>19,632,702</u>	<u>20,125,467</u>
	30,635,151	31,706,090
Less: inventory write-down	<u>(30,436,305)</u>	<u>(31,266,026)</u>
Inventories, net	<u>\$ 198,846</u>	<u>\$ 440,064</u>

During the years ended December 31, 2023, 2022 and 2021, the Company recorded write-down for the potentially obsolete, slow-moving inventories and lower of cost or market adjustment of US\$340,186, US\$6,482,019 and US\$2,233,452 in cost of revenues, respectively.

**Note 8 – Property, plant and equipment, net**

Property, plant and equipment, net consist of the following:

	As of December 31, 2023	As of December 31, 2022
Buildings	\$ 32,489,235	\$ 33,224,223
Mechanical equipment	17,523,970	17,468,972
Motor vehicles	322,657	330,727
Office equipment	7,302,990	7,343,494
Computer software	684,153	675,644
Leasehold improvement	2,339,528	1,518,282
Construction in progress	-	785,434
Total	<u>60,662,533</u>	<u>61,346,776</u>
Accumulated depreciation	<u>(27,454,332)</u>	<u>(24,797,498)</u>
Provision for impairment	(57,140)	-
Property, plant and equipment, net	<u>\$ 33,151,061</u>	<u>\$ 36,549,278</u>

Depreciation expenses for the years ended December 31, 2023, 2022 and 2021 amounted to US\$3,038,131, US\$1,822,942 and US\$2,858,406, respectively. The Company recorded impairment charge on property, plant and equipment of US\$57,117, nil, and US\$3,109,922 for the years ended December 31, 2023, 2022 and 2021, respectively. The approximately US\$3 million impairment charges recorded in the year ended December 31, 2021 was recorded against a certain building as the carrying amount of the assets were deemed not recoverable due to the assets' economic obsolescence identified during the period. The impaired building was disposed of in the year ended December 31, 2022 in connection with the Company's disposal of Wuhai Ebang. See Note 19.

**Note 9 – Intangible assets, net**

The following table presents the Company's intangible assets as of the respective balance sheet dates:

	<b>As of December 31, 2023</b>	<b>As of December 31, 2022</b>
Land use right	\$ 2,562,689	\$ 2,626,781
Non-patent technology	687,437	704,630
License	4,180,417	4,181,273
Software	5,034,167	5,760,071
Patents	29,879,744	29,879,744
Total	42,344,454	43,152,499
Accumulated amortization	(15,468,932)	(15,523,631)
Provision for impairment	(24,545,745)	(20,738,130)
Intangible assets, net	<u>\$ 2,329,777</u>	<u>\$ 6,890,738</u>

Amortization expense for the years ended December 31, 2023, 2022 and 2021 amounted to US\$481,728, US\$8,888,601 and US\$3,399,649, respectively. The Company recorded impairment charges on intangible assets of US\$3,708,247, US\$20,738,130 and nil for the years ended December 31, 2023, 2022 and 2021, respectively. The approximately US\$3.7 million and US\$20.7 million impairment charges recorded in the years ended December 31, 2023 and 2022 were recorded against a license and patents, respectively, as the carrying amount of the assets were deemed not recoverable due to the assets' economic obsolescence identified during the periods. The impairment losses were included in the general and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

Estimated future amortization expense related to intangible assets held as of December 31, 2023:

Year	
2024	\$ 134,407
2025	51,254
2026	51,254
2027	51,254
2028	51,254
Thereafter	1,990,354
Total	<u>\$ 2,329,777</u>

**Note 10 – Accrued liabilities and other payables**

The components of accrued liabilities and other payables are as follows:

	<b>As of December 31, 2023</b>	<b>As of December 31, 2022</b>
Salary payable	\$ 2,239,227	\$ 1,928,684
Payable to consultants	82,265	49,047
Refundable deposit to customers	53,162	86,991
Payable to property, plant and equipment suppliers	4,110,691	4,565,086
Customer custodial cash liabilities	1,612,075	3,919,793
Other accrued liabilities	1,707,428	969,490
Total accrued liabilities and other payables	<u>\$ 9,804,848</u>	<u>\$ 11,519,091</u>

Other accrued liabilities mainly consist of insurance payables, social security payables, accrued professional service fees. The customer custodial cash liabilities represent the cash held on behalf of customers for the settlement of future cross-border payment and foreign exchange services. The corresponding customer custodial cash asset with balance in the same amount was included in other current asset, net in the consolidated balance sheet.

## **Note 11 – Income taxes**

### *Cayman Islands*

Under the current laws of the Cayman Islands, Ebang International is not subject to tax on income or capital gain. Additionally, upon payments of dividends to the shareholders, no Cayman Islands withholding tax will be imposed.

### *British Virgin Islands (“BVI”)*

The Company’s subsidiaries incorporated in the BVI are not subject to tax on income or capital gain. In addition, payments of dividend by these subsidiaries to their shareholders are not subject to withholding tax in the BVI.

### *Australia*

The Company’s subsidiaries incorporated in Australia are subject to Australian Tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant Australia tax laws. The Australian Income Tax had significant changes progressively since June 30, 2017. From July 1, 2022, companies that are base rate entities must apply the 25% company tax rate. A company is a base rate entity for an income year if 1) the company’s aggregated turnover for that income year is less than AUD50,000,000 of that income year, and 2) it has 80% or less of their assessable income in that income year that is base rate entity passive income. Thus the applicable tax rate is 25% for the Company on assessable profits arising in or derived from Australia.

### *Hong Kong*

The Company’s subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate is 8.25% on assessable profits arising in or derived from Hong Kong up to HKD2,000,000 and 16.5% on any part of assessable profits over HKD2,000,000.

### *PRC*

The Company’s subsidiaries incorporated in the PRC are governed by the income tax laws of the PRC and the income tax provision in respect to operations in the PRC is calculated at the applicable tax rates on the taxable income for the periods based on existing legislation, interpretations and practices in respect thereof. Under the Enterprise Income Tax Laws of the PRC (the “EIT Laws”), domestic enterprises and Foreign Investment Enterprises (the “FIE”) are usually subject to a unified 25% enterprise income tax rate while preferential tax rates, tax holidays and even tax exemption may be granted on case-by-case basis. EIT grants preferential tax treatment to certain High and New Technology Enterprises (“HNTEs”). Under this preferential tax treatment, HNTEs are entitled to an income tax rate of 15%, subject to a requirement that they re-apply for HNTE status every three years. For the years ended December 31, 2023, 2022 and 2021, Zhejiang Ebang, Hangzhou Dewang, and Ebang IT were qualified as HNTE and entitled to a preferential income tax rate of 15%.

According to the relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The State Taxation Administration of the PRC announced in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2020, which was subsequently announced in March 2021 to be further extended to December 31, 2023. In September 2022, the State Taxation Administration of the PRC further announced that for the enterprises entitled to the current pre-tax deduction ratio of 175% for research and development expenses, such ratio is raised to 200% during the period from October 1, 2022 to December 31, 2022.

The subsidiaries of the Company incorporated in other countries are subject to income tax pursuant to the rules and regulations of their respective countries of incorporation.

*Reconciliation of the differences between statutory income tax rate and the effective tax rate*

The reconciliation of tax computed by applying the statutory income tax rate of 25% for the years ended December 31, 2023, 2022 and 2021 applicable to the PRC operations to income tax expenses is as follows:

	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Statutory income tax rate	25.00%	25.00%	25.00%
Effect of expenses not deductible for tax purposes	(0.20)%	0.00%	0.40%
Effect of additional deduction of research and development expense	4.80%	0.70%	(35.10)%
Effect of income tax exemptions and reliefs	(8.00)%	2.90%	60.90%
Recovery from deferred income tax assets	5.20%	5.50%	-
Effect of valuation allowance on deferred income tax assets	(27.10)%	(28.00)%	2.20%
Income tax difference under different tax jurisdictions	4.30%	(6.10)%	(45.70)%
Prior year true-ups	-	-	(23.60)%
Others	(1.40)%	-	-
Total	<u>2.60%</u>	<u>(0.00)%</u>	<u>(15.90)%</u>

Significant components of the provision for income taxes are as follows:

	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Current income tax expense	\$ -	\$ 7,666	\$ 2,466,745
Deferred tax benefit	(1,031,461)	(80,599)	(2,845,588)
Income taxes benefit	<u>\$ (1,031,461)</u>	<u>\$ (72,933)</u>	<u>\$ (378,843)</u>

For the purpose of presentation in the consolidated balance sheets, deferred income tax assets and liabilities have been offset. Significant components of deferred tax assets and liabilities are as follows:

	As of December 31, 2023	As of December 31, 2022
Provision for doubtful accounts	\$ 2,007,749	\$ 1,986,464
Net operating loss carryforward	30,276,268	23,052,402
Impairment of VAT recoverable, inventory write-down and others	5,835,385	3,672,475
	<u>38,119,402</u>	<u>28,711,341</u>
Less: valuation allowance	<u>(38,119,402)</u>	<u>(28,711,341)</u>
Deferred tax assets	<u>\$ -</u>	<u>\$ -</u>
Intangible assets	\$ -	\$ 1,004,365
Property, plant and equipment	74,225	129,174
Deferred tax liabilities	<u>\$ 74,225</u>	<u>\$ 1,133,539</u>
Total deferred tax liabilities	<u>\$ 74,225</u>	<u>\$ 1,133,539</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the cumulative earnings and projected future taxable income in making this assessment. Recovery of substantially all of the Company's deferred tax assets is dependent upon the generation of future income, exclusive of reversing taxable temporary differences.

The amounts of cumulative net operating loss in 2023 of major tax jurisdictions and the year of expiration are as follows:

Tax Jurisdiction	Amount in USD (in thousands)	Earliest year of expiration if not utilized
PRC	127,740	2025
Hong Kong	19,087	No expiration
Australia	10,279	No expiration
Singapore	2,452	No expiration
United States	3,776	No expiration

#### Uncertain tax positions

The PRC tax authorities conduct periodic and ad hoc tax filing reviews on business enterprises operating in the PRC after those enterprises complete their relevant tax filings. In general, the PRC tax authorities have up to five years to conduct examinations of the tax filings of the Company's PRC entities. Accordingly, the PRC subsidiaries' tax years of 2019 through 2023 remain open to examination by the respective tax authorities. It is therefore uncertain as to whether the PRC tax authorities may take different views about the Company's PRC entities' tax filings, which may lead to additional tax liabilities.

The Company evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measures the unrecognized benefits associated with the tax positions. As of December 31, 2023 and 2022, the Company did not have any significant unrecognized uncertain tax positions.

## Note 12 – Equity

### *Ordinary shares*

The Company adopted a dual-class share structure. Each Class A ordinary share is entitled to one vote per share and each Class B ordinary share is entitled to twenty votes per share. Each Class B ordinary share can be converted into one Class A ordinary share at any time, while Class A ordinary shares cannot be converted into Class B ordinary shares.

The Company completed the initial public offering (“IPO”) in 2020 with new issuance of totaling 642,145 (19,264,337 before the Reverse Stock Split) Class A ordinary shares at a price of US\$156.9 (US\$5.23 before the Reverse Stock Split) per share. Net proceeds raised by the Company from the IPO amounted to approximately US\$92 million after deducting underwriting discounts and commissions and other offering expenses. The Company received all the net proceeds on July 2, 2020.

The Company commenced an additional offering with new issuance of totaling 266,666 (8,000,000 before the Reverse Stock Split) units at a price of US\$157.5 (US\$5.25 before the Reverse Stock Split) per unit in November 2020 (the “November 2020 Offering”), intending to raise US\$42 million funding prior to deducting underwriting discounts and commissions and other offering expenses. Each unit consists of one share of Class A ordinary shares and one warrant to purchase one-half of a Class A ordinary share. As of December 31, 2020, the Company completed the offering of 153,333 (4,600,000 before the Reverse Stock Split) units in relation to the November 2020 Offering and received net proceeds of approximately US\$23 million. The units issued consisting of an aggregate of 153,333 (4,600,000 before the Reverse Stock Split) shares of Class A ordinary shares and 153,333 (4,600,000 before the Reverse Stock Split) warrant which can be exercised for 76,667 (2,300,000 before the Reverse Stock Split) shares of Class A ordinary shares. In January 2021, the Company completed the November 2020 Offering by selling another 113,333 (3,400,000 before the Reverse Stock Split) units for net proceeds of approximately US\$17 million. The units issued consisting of an aggregate of 113,333 (3,400,000 before the Reverse Stock Split) shares of Class A ordinary shares and 113,333 (3,400,000 before the Reverse Stock Split) warrant which can be exercised for 56,667 (1,700,000 before the Reverse Stock Split) shares of Class A ordinary shares.

In February 2021, the Company launched another offering for an aggregate of 640,000 (19,200,000 before the Reverse Stock Split) units at US\$150 (US\$5 before the Reverse Stock Split) per unit (the “February 2021 Offering”). Each unit offered in the February 2021 Offering consists of one Class A ordinary share and one warrant to purchase one-half of one Class A ordinary share. The warrants are immediately exercisable and expire on the fifth anniversary of the original issuance date. The exercise price of each two warrants is US\$157.5 (US\$5.25 before the Reverse Stock Split). The warrants may be exercised only for a whole number of shares and the Company does not issue fractional shares upon exercise of the warrants. The Company completed the February 2021 Offering by selling 640,000 (19,200,000 before the Reverse Stock Split) units and received net proceeds of approximately US\$90 million. The units issued consisting of an aggregate of 640,000 (19,200,000 before the Reverse Stock Split) shares of Class A ordinary shares and 640,000 (19,200,000 before the Reverse Stock Split) warrant which can be exercised for 320,000 (9,600,000 before the Reverse Stock Split) shares of Class A ordinary shares.

The Company also entered into inducement agreements with certain investors (the “Holders”) in February 2021 to induce them to exercise the warrants issued to them in connection with the November 2020 Offering and the February 2021 Offering for all 453,333 (13,600,000 before the Reverse Stock Split) Class A ordinary shares available for exercise thereunder (the “Warrant Inducement Offering”). The Holders exercised these warrants, in full, and were issued 453,333 (13,600,000 before the Reverse Stock Split) Class A ordinary shares as a result of such exercises, with the Company receiving aggregate net proceeds of approximately US\$68 million after deducting sales commissions payable to the warrant solicitation agents and related expenses. Additionally, as consideration for their exercise of such warrants, the Company issued to the Holders the new warrants, which are exercisable, anytime within five (5) years from the date on which they became exercisable, at an exercise price of US\$331.8 (US\$11.06 before the Reverse Stock Split) per share, for an aggregate of up to the 453,333 (13,600,000 before the Reverse Stock Split) Class A ordinary shares.

In March 2021, the Company launched another offering for an aggregate of 466,667 (14,000,000 before the Reverse Stock Split) units at US\$183 (US\$6.1 before the Reverse Stock Split) per unit (the “March 2021 Offering”). Each unit offered in the March 2021 Offering consists of one Class A ordinary share and one warrant to purchase one-half of one Class A ordinary share. The warrants are immediately exercisable and expire on the fifth anniversary of the original issuance date. The exercise price of each two warrants is US\$197.7 (US\$6.59 before the Reverse Stock Split). The warrants may be exercised only for a whole number of shares and the Company does not issue fractional shares upon exercise of the warrants. The Company completed the March 2021 Offering by selling 466,667 (14,000,000 before the Reverse Stock Split) units and received net proceeds of approximately US\$80 million. The units issued consisting of an aggregate of 466,667 (14,000,000 before the Reverse Stock Split) shares of Class A ordinary shares and 466,667 (14,000,000 before the Reverse Stock Split) warrant which can be exercised for 233,333 (7,000,000 before the Reverse Stock Split) shares of Class A ordinary shares.

On November 20, 2022, the Company effected a 1-for-30 reverse stock split of Ordinary Shares (the “Reverse Stock Split”), pursuant to which every 30 issued and unissued Class A ordinary shares and Class B ordinary shares of the Company of HK\$0.001 each (the “Existing Shares”) be consolidated into one share of HK\$0.03 each (each a “Consolidated Share”) in accordance with an ordinary resolution passed at an extraordinary general meeting of the Company held on November 20, 2022.

During the years ended December 31, 2023 and 2022, the Company issued 264,727 and 41,367 (1,241,000 before the Reverse Stock Split) Class A ordinary shares to Tiger Brokers (Singapore) Ptd. Ltd. (the “ESOP platform”) which were reserved for future issuance of the Company’s Class A ordinary shares upon the vesting of RSAs granted under the 2020 Plan. As of December 31, 2023 and 2022, 263,322 and 24,167 (725,000 before the Reverse Stock Split) of such shares were considered issued but not outstanding, respectively.

#### Warrants

The following table sets forth the Company’s warrant activities for the years ended December 31, 2023, 2022 and 2021:

	Number of shares Issuable*	Weight- average exercise price*
Outstanding and exercisable at January 1, 2021	\$ 76,667	\$ 165.0
Granted	1,063,333	240.9
Exercised	(453,333)	159.6
Balance at December 31, 2021	686,667	286.2
Outstanding and exercisable at December 31, 2021	686,667	286.2
Granted	-	-
Exercised	-	-
Balance at December 31, 2022	686,667	286.2
Outstanding and exercisable at December 31, 2022	686,667	286.2
Granted	-	-
Exercised	-	-
Balance at December 31, 2023	686,667	286.2
Outstanding and exercisable at December 31, 2023	686,667	286.2

\* Retrospectively adjusted for the effect of the Reverse Stock Split effected on November 20, 2022.

The intrinsic value of these warrants was approximately nil and nil as of December 31, 2023, and 2022, respectively.

#### Note 13 – Share-based compensation

In order to attract and retain talents, the Company adopted a share incentive plan in April 2020, which was amended and restated on July 9, 2021 (the “2020 Plan”). The maximum aggregate number of shares that may be issued pursuant to all awards under the 2020 Plan shall be 349,427 (10,482,827 before Reverse Stock Split) Class A ordinary shares. The Company also adopted the 2021 Share Incentive Plan (the “2021 Plan”), under which the maximum aggregate number of shares that may be issued pursuant to all awards shall be 333,333 (10,000,000 before Reverse Stock Split) Class A ordinary shares. The Company did not grant any award under the 2021 plan.

The Company granted 172,333 and 61,200 (5,170,000 and 1,836,000 before the Reverse Stock Split) restricted share awards (“RSAs”) in 2022 and 2021, respectively, under the 2020 Plan. The vesting schedule of RSAs ranges from 100% upon grant, to over four years with 25% vested at each anniversary. The vesting of these RSAs is further subject to performance conditions whereby a 50% or 100% of the RSAs to be vested in a given year will be forfeited based on the result of an annual performance review of the grantee in accordance with predetermined performance targets. The unvested portion of the RSAs will also be forfeited upon the termination of employment or service during the vesting period. The Company estimates the annual performance review result for each grantee and recognizes the related compensation expenses. The amount of compensation expense (reversed)/recorded for the years ended December 31, 2023, 2022 and 2021 was US\$(153,034), US\$3,903,970 and US\$707,000, respectively. The net reversal of the compensation expense recorded in the year ended December 31, 2023 was due to resignation of employees as well as the actual performance target being different from the Company’s previous estimate as a result of the employees failing to achieve certain performance goals, and the Company’s adjustment of the estimate of future performance review result in connection therewith. Unvested compensation expense as of December 31, 2023 and 2022 was US\$1,064,986 and US\$3,036,689, respectively.

During the years ended December 31, 2023 and 2022, the Company issued 264,727 and 41,367 (1,241,000 before the Reverse Stock Split) Class A ordinary shares to ESOP platform which were reserved for future issuance upon the vesting of RSAs granted under the 2020 Plan. Also see Note 12.

The following table summarized the Company's RSAs activity under the 2020 Plan:

	Number of RSAs*	Weighted average grant date fair value*
Unvested, January 1, 2021	-	-
Granted	61,200	75.60
Vested	-	-
Forfeited	(7,333)	75.60
Unvested, December 31, 2021	53,867	75.60
Granted	172,333	31.06
Vested	(60,534)	37.67
Forfeited	(32,600)	54.55
Unvested, December 31, 2022	133,066	40.34
Granted	-	-
Vested	(25,572)	31.31
Forfeited	(16,075)	65.00
Unvested, December 31, 2023	91,419	38.52

\* Retrospectively adjusted for the effect of the Reverse Stock Split on November 20, 2022. See Note 12.

#### Note 14 – Operating leases

The Company entered into operating lease agreements for factory buildings, office spaces and employee dormitories including lease agreements with its related party, with various initial term expiration dates through 2030 and various renewal and termination options. None of the amounts disclosed below for these leases contains variable payments, residual value guarantees or options that were recognized as part of the right-of-use assets and lease liabilities. As the Company's leases did not provide an implicit discount rate, the Company used an incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

As of December 31, 2023 and 2022, the Company recognized operating lease liabilities, including current and noncurrent, in the amount of US\$6,676,300 and US\$7,257,144, respectively, and the corresponding operating lease right-of-use assets of US\$6,150,732 and US\$5,862,748, respectively.

Also see Note 18 for related party operating lease commitments.

The following components of lease cost are included in the Company's consolidated statements of operations and comprehensive income (loss):

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
Operating lease cost	\$ 2,053,911	\$ 1,948,051	\$ 1,177,689
Short-term lease cost	18,404	35,710	117,118
Total lease cost	\$ 2,072,315	\$ 1,983,761	\$ 1,294,807

Supplemental cash flow information related to operating leases was as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows for operating leases	\$ 2,692,699	\$ 1,559,148	\$ 1,414,151
<b>Supplemental lease cash flow disclosure</b>			
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	1,801,664	5,394,251	3,387,501

Supplemental balance sheet information related to operating leases was as follows:

	As of December 31, 2023	As of December 31, 2022
Operating lease right-of-use assets	\$ 6,119,535	\$ 5,343,608
Operating lease right-of-use assets – related parties	31,197	519,140
<b>Total operating lease right-of-use assets</b>	<b>\$ 6,150,732</b>	<b>\$ 5,862,748</b>
Operating lease liabilities, current	\$ 1,764,259	\$ 1,217,604
Operating lease liabilities – related parties, current	28,849	283,567
Operating lease liabilities, non-current	4,880,844	5,755,973
Operating lease liabilities – related party, non-current	2,348	-
<b>Total operating lease liabilities</b>	<b>\$ 6,676,300</b>	<b>\$ 7,257,144</b>
Weighted average remaining lease term of operating leases	4.90 Years	6.34 Years
Weighted average discount rate of operating leases	6.5250%	6.5250%

The Company's maturity analysis of operating lease liabilities, including operating lease liabilities to related parties, as of December 31, 2023 is as follows:

	<b>Operating Leases</b>
2024	\$ 2,142,561
2025	1,808,714
2026	983,979
2027	720,780
2028	754,036
Thereafter	1,399,884
<b>Total lease payment</b>	<b>7,809,954</b>
Less: imputed interest	(1,133,654)
<b>Present value of operating lease liabilities</b>	<b>6,676,300</b>
Less: current obligation	(1,793,108)
<b>Long-term obligation at December 31, 2023</b>	<b>\$ 4,883,192</b>

**Note 15 – Statutory reserves and restricted net assets**

As a result of the PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Company. Amounts restricted include paid-in capital, additional paid-in capital, and the statutory reserves of the Company's PRC subsidiaries.

	<b>As of December 31, 2023</b>	<b>As of December 31, 2022</b>
PRC entities		
Paid-in capital	\$ 86,131,578	\$ 83,872,972
Additional paid-in capital	144,532,239	93,759,405
Statutory reserves	<u>10,848,816</u>	<u>10,848,816</u>
Total restricted net assets	<u>\$ 241,512,633</u>	<u>\$ 188,481,193</u>

As of December 31, 2023 and 2022, total restricted net assets were US\$241,512,633 and US\$188,481,193, respectively.

**Note 16 – Segment and revenue analysis**

The Company operates in a single operating segment that includes the selling of bitcoin mining machines and related accessories, telecommunication products, providing cryptocurrency exchange services, management and maintenance services and cross-border payment and foreign exchange services.

The following table summarizes the revenue generated from different revenue streams:

	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>
Revenue			
Product sale - Bitcoin mining machines and related accessories	\$ 265,984	\$ 25,800,263	\$ 39,756,156
Product sale - Telecommunication equipment	516,365	3,736,961	8,566,866
Service – Cryptocurrency exchange services	1,044,087	105,686	-
Service - Management and maintenance services	391,644	86,344	3,127,225
Service - Cross-border payment and foreign exchange services	<u>2,637,101</u>	<u>2,598,865</u>	<u>-</u>
	<u>\$ 4,855,181</u>	<u>\$ 32,328,119</u>	<u>\$ 51,450,247</u>

The following table summarizes the revenues generated from different geographic region:

Geographic region	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
Mainland China	\$ 1,173,993	\$ 29,623,568	\$ 51,432,545
Australia	3,681,188	2,704,551	-
Other countries and regions	-	-	17,702
	<u>\$ 4,855,181</u>	<u>\$ 32,328,119</u>	<u>\$ 51,450,247</u>

Selected assets of property, plant and equipment, right-of- use assets, intangible assets and goodwill by geographical region within the operating segment is as follows:

Geographic region	As of December 31, 2023	As of December 31, 2022
Mainland China	\$ 36,135,935	\$ 38,070,043
Hong Kong	239,608	90,949
Australia	3,912,446	10,955,261
Others foreign countries and regions	1,343,581	2,486,139
	<u>\$ 41,631,570</u>	<u>\$ 51,602,392</u>

#### Note 17 – Concentration of risks

##### *Concentration of credit risks and customers*

Accounts receivable concentration of credit risk is as below:

	As of December 31, 2023	As of December 31, 2022
Customer A	20%	20%
Customer B	*%	20%
Customer C	*%	11%
Customer D	14%	*%
Customer E	11%	*%

Supplier concentration of credit risk is as below:

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
Supplier A	*%	*%	22%
Supplier B	*%	*%	13%
Supplier C	21%	11%	*%
Supplier D	15%	*%	*%

Revenue concentration of credit risk is as below:

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
Customer F	*%	*%	11%
Customer G	*%	76%	32%

\* Less than 10%

#### *Vulnerability to cybersecurity incidents*

Although the Company has developed systems and processes designed to protect the data the Company manages, prevent data loss and other security breaches, effectively respond to known and potential risks, and expect to continue to expend significant resources to bolster these protections, there can be no assurance that these security measures will provide absolute security or prevent breaches. The Company may also experience material breaches of its security measures due to human error, malfeasance, insider threats, system errors, vulnerabilities, or other irregularities. During the year ended December 31, 2023, the Company suffered from a cybersecurity incident resulting a loss of cryptocurrencies of approximately US\$2.3 million, which is included in general and administrative expenses on the consolidated statements of operations and comprehensive income (loss). The Company is actively pursuing the recovery of the cryptocurrencies but there can be no assurance that these cryptocurrencies can be recovered.

#### **Note 18 – Related party transactions**

##### a) Related parties

Name of related parties	Relationship with the Company
Dong Hu	Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Company
Hong Kong Dewang Limited	Wholly owned by Zhengqian Jiang, father-in-law of Dong Hu
Zhejiang Wansi Computer Manufacturing Company Limited	68% owned by Aiqun Jiang, spouse of Dong Hu
Hangzhou Yibang Zhiyang Technology Co., Ltd.	Controlled by Dong Hu
Top Max Limited	Controlled by Dong Hu
Shubo Qian	Brother-in-law of Dong Hu
Jun Hu	Sister of Dong Hu
Hangzhou Yiquansheng Communication Technology Co., Ltd.	Controlled by Dong Hu

##### b) Operating leases with related parties

The Company leases office space from Zhejiang Wansi Computer Manufacturing Company Limited under non-cancellable operating lease agreements with lease terms ranging from one to seven years. Lease expense from this related party for the years ended December 31, 2023, 2022 and 2021 amounted to US\$28,924, US\$44,230 and US\$31,647, respectively. The balance of operating lease right-of-use assets and lease liabilities, including the current and non-current portion, associated with this related party, was US\$31,197 and US\$31,197 as of December 31, 2023, and US\$17,533 and US\$17,533 as of December 31, 2022, respectively.

The Company leases office space from Hangzhou Yiquansheng Communication Technology Co., Ltd. under non-cancellable operating lease agreements with lease terms of 31 months. Lease expense from this related party for the years ended December 31, 2023, 2022 and 2021 amounted to US\$495,133, US\$557,968, and US\$378,652, respectively. The balance of operating lease right-of-use assets and lease liabilities, including the current and non-current portion, associated with this related party, was nil and nil as of December 31, 2023, and US\$501,607 and US\$266,034 as of December 31, 2022, respectively.

#### **Note 19 – Disposal of subsidiaries**

On June 30, 2022, the Company disposed of 100% of the equity interest of Ebang Hongling and its 100% owned subsidiary Wuhai Ebang to a third party for a cash consideration of RMB1. This disposal resulted in a gain of US\$5,941 for the year ended December 31, 2022.

For the period from January 1, 2022 to June 30, 2022, Ebang Hongling and Wuhai Ebang did not generate any revenue and incurred a net loss of approximately US\$6.7 million. Net negative assets of Ebang Hongling and Wuhai Ebang was approximately US\$5,941. The disposal of Ebang Hongling and Wuhai Ebang does not represent a strategic shift that has (or will have) a major effect on the Company's operations and financial results.

On March 1, 2023, the Company disposed of 100% of the equity interest of EBONEX PTE LTD. to a third party for a cash consideration of SGD10,000. This disposal resulted in a gain of US\$7,524 for the year ended December 31, 2023.

For the period from January 1, 2023 to March 1, 2023, EBONEX PTD LTD. did not generate any revenue or incur any net income. Net asset of EBONEX PTE LTD. was US\$0. The disposal does not represent a strategic shift that has (or will have) a major effect on the Company's operations and financial results.

## **Note 20 – Commitments and contingencies**

### *Operating lease commitments*

The information of lease commitments is provided in Note 14.

### Litigation settlement

On January 29, 2019, the Company filed a civil action in the Hangzhou Intermediate People's Court against one of its customers. The defendant had purchased from the Company, and the Company had delivered 90,000 units of mining machines for a total amount of RMB453.6 million (approximately US\$65.1 million) pursuant to an executed sales contract. The defendant has paid RMB380 million (approximately US\$54.5 million), and the Company is seeking payment of the remaining balance of RMB73.6 million (approximately US\$10.6 million) plus interest and legal expenses. On December 30, 2021, Hangzhou Intermediate People's Court made the judgement and supported the request of RMB73.6 million goods payment from the Company. On January 24, 2022, the defendant appealed to Zhejiang Provisional Superior People's Court and the appeal was automatically withdrawn according to the ruling made by Zhejiang Provisional Superior People's Court on March 22, 2022. The court has made enforcement action regarding the payment by the defendant. During the year ended December 31, 2022, the Company has collected RMB7.4 million (approximately US\$1.1 million). When the sales contract was entered into in 2018, no associated revenue was recognized as the Company concluded the collection of the consideration was not probable. The RMB7.4 million received from the settlement during the year ended December 31, 2022 was recorded as revenue in the consolidated statements of operations and comprehensive income (loss) because the contract has been terminated which leaves the Company no remaining obligations to transfer products and the receipt of consideration is nonrefundable. The Company has applied to the Hangzhou Intermediate People's Court for compulsory enforcement for the remaining balance. In October 2023, the Company applied to the Hangzhou Intermediate People's Court to add the controlling shareholder of the plaintiff as a party subject to enforcement, as a result of the inability of the defendant to pay under a compulsory enforcement for the remaining balance executed by the Hangzhou Intermediate People's Court. The application is under review by the Hangzhou Intermediate People's Court.

In April 2021, Chongqing Duomeiduo Culture Media Co., Ltd. ("DMD") filed a civil action in the Beijing Chaoyang District People' Court against the Company for sales contract disputes, claiming the Company and Borui Shikong Culture Communication Co., Ltd. ("Borui") to return the payment made for the contract in dispute, totaling RMB2 million and 30 bitcoins. On December 16, 2021, the case was transferred to Beijing Dongcheng District People's Court for trial. On March 9, 2023, the court announced the verdict that the sales contract between Borui and DMD is voided and requested Borui to return DMD goods payment of RMB2 million and 30 bitcoins. On March 20, 2023, Borui has filed an appeal against DMD to revoke the verdict. Neither the Company nor DMD has filed an appeal against the appeal filed by Borui on March 20, 2023. The appeal filed by Borui is currently under review.

From time to time, the Company is subject to legal proceedings and claims in the ordinary course of business. The Company records a liability when it is both probable that a liability will be incurred and the amount of the loss can be reasonably estimated. The Company reviews the need for any such liability on a regular basis. For the years ended December 31, 2023, 2022 and 2021, the Company accrued nil, nil and RMB0.5 million related to its legal contingencies, respectively.

## **Note 21 – Subsequent events**

The Company has assessed all events from December 31, 2023 up through April 26, 2024, which is the date that these financial statements are available to be issued, unless as disclosed above, there are not any material subsequent events that require disclosure in these financial statements.

## **Note 22 – Condensed financial information of the parent company**

The Company performed a test on the restricted net assets of consolidated subsidiaries in accordance with Securities and Exchange Commission Regulation S-X Rule 5-04 and concluded that it was applicable for the Company to disclose the financial statements for the parent company.

The following condensed financial statements of the Parent Company have been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the Parent Company used the equity method to account for its investment in its subsidiaries. The Parent Company and its subsidiaries were included in the consolidated financial statements whereby the inter-company balances and transactions were eliminated upon consolidation. The Parent Company's share of loss from its subsidiaries is reported as "share of loss from subsidiaries" in the condensed financial statements.

The Parent Company is a Cayman Islands company and, therefore, is not subjected to income taxes for all years presented. The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted.

The subsidiaries did not pay any dividend to the Company for the years presents. As of December 31, 2023 and 2022, there were no material commitments or contingencies, significant provisions for long-term obligations or guarantees of the Company, except for those which have been separately disclosed in the consolidated financial statements, if any.

**(a) Condensed balance sheets**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 172,588,698	\$ 212,388,959
Other current assets, net	2,939,668	257,500
Due from subsidiaries	158,603,618	114,912,019
<b>Total current assets</b>	<b>334,131,984</b>	<b>327,558,478</b>
<b>Total assets</b>	<b>\$ 334,131,984</b>	<b>\$ 327,558,478</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Deficit of investments in subsidiaries	\$ 53,878,530	\$ 8,626,897
Due to subsidiaries	409,607	-
<b>Total current liabilities</b>	<b>54,288,137</b>	<b>8,626,897</b>
<b>Total liabilities</b>	<b>54,288,137</b>	<b>8,626,897</b>
<b>Shareholders' equity:</b>		
Class A ordinary share, HKD0.03 par value, 11,112,474 shares authorized, 4,989,746 and 4,725,019 shares issued, 4,726,424 and 4,700,852 shares outstanding as of December 31, 2023 and 2022, respectively <sup>(1)(2)</sup>	18,178	18,080
Class B ordinary share, HKD0.03 par value, 1,554,192 shares authorized, issued and outstanding as of December 31, 2023 and 2022, respectively <sup>(1)</sup>	5,978	5,978
Additional paid-in capital	397,467,795	397,620,927
Accumulated deficit	(103,761,016)	(66,988,873)
Accumulated other comprehensive loss	(13,887,088)	(11,724,531)
<b>Total shareholders' equity</b>	<b>279,843,847</b>	<b>318,931,581</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 334,131,984</b>	<b>\$ 327,558,478</b>

(1) Retrospectively adjusted for the effect of the Reverse Stock Split effected on November 20, 2022. See Note 12.

(2) As of December 31, 2023 and 2022, 263,322 and 24,167 (725,000 before the Reverse Stock Split) shares reserved for future issuance upon the vesting of RSAs granted under the 2020 Plan were considered issued but not outstanding, respectively. See Note 12.

(b) Condensed statements of operations and comprehensive income (loss)

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
<b>Operating expenses:</b>			
General and administrative expenses	\$ 1,482,786	\$ 33,796,950	\$ 6,233,339
<b>Total operating expenses</b>	<u>1,482,786</u>	<u>33,796,950</u>	<u>6,233,339</u>
<b>Loss from operations</b>	<u>(1,482,786)</u>	<u>(33,796,950)</u>	<u>(6,233,339)</u>
Interest income	9,945,862	2,409,547	541,598
Other expenses	(2,847)	(52,793)	(8,505)
Exchange gain (loss)	36,752	(67,696)	1,478,258
Other income	-	-	18,114
Loss on forgiveness of receivable from a subsidiary	1,600,517	-	-
Share of income (loss) from subsidiaries	<u>(46,869,641)</u>	<u>(12,380,350)</u>	<u>8,634,815</u>
<b>Net income (loss)</b>	<u>\$ (36,772,143)</u>	<u>\$ (43,888,242)</u>	<u>\$ 4,430,941</u>
<b>Comprehensive income (loss)</b>			
Net income (loss)	\$ (36,772,143)	\$ (43,888,242)	\$ 4,430,941
<b>Other comprehensive income (loss):</b>			
Foreign currency translation adjustment	(2,162,557)	(4,827,526)	751,327
<b>Comprehensive income (loss)</b>	<u>\$ (38,934,700)</u>	<u>\$ (48,715,768)</u>	<u>\$ 5,182,268</u>

(c) Condensed statements of cash flows

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021
<b>Cash Flows from Operating Activities:</b>			
Net income (loss)	\$ (36,772,143)	\$ (43,888,242)	\$ 4,430,941
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Share of (income) loss from subsidiaries	46,869,641	12,380,350	(8,634,815)
Amortization expense	-	6,987,975	1,987,974
Share-based compensation	(153,034)	3,903,970	707,000
Loss on forgiveness of receivable from a subsidiary	1,600,517	-	-
Impairment of intangible assets	-	20,738,130	-
Changes in assets and liabilities:			
Due from subsidiaries	(45,292,116)	127,102,949	(195,566,806)
Other current assets, net	(2,682,168)	400,545	210,904
Accrued liabilities and other payables	-	(53,603)	(7,973,877)
Due to subsidiaries	409,607	-	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(36,019,696)</u>	<u>127,572,074</u>	<u>(204,838,679)</u>
<b>Cash Flows from Investing Activities</b>			
Collections from short-term investments	-	15,000,000	25,835,000
Purchases of intangible assets	-	(10,000,000)	-
<b>Net Cash Provided by Investing Activities</b>	<u>-</u>	<u>5,000,000</u>	<u>25,835,000</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuances of ordinary shares	-	-	254,727,705
<b>Net Cash Provided by Financing Activities</b>	<u>-</u>	<u>-</u>	<u>254,727,705</u>
<b>Effect of Foreign Exchange on Cash and Cash Equivalents</b>	<u>(3,780,565)</u>	<u>(1,760,012)</u>	<u>(2,465,348)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(39,800,261)</u>	<u>130,812,062</u>	<u>73,258,678</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>212,388,959</u>	<u>81,576,897</u>	<u>8,318,219</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 172,588,698</u>	<u>\$ 212,388,959</u>	<u>\$ 81,576,897</u>
<b>Non-Cash Investing and Financing Activities:</b>			
Issuance of vested restricted share awards	\$ 98	232	-

**Description of Rights of Securities Registered under Section 12 of the Securities Exchange Act of 1934**

The Class A ordinary shares, par value HK\$0.03 per share (“Class A ordinary shares”) of Ebang International Holdings Inc. (“we,” “us,” “our company” or “our”) are listed on The Nasdaq Global Select Market and the Class A ordinary shares are registered under Section 12(b) of the Securities Exchange Act of 1934. This exhibit contains a description of the rights of the holders of Class A ordinary shares.

**Description of Class A Ordinary Shares (Items 9.A.3, 9.A.5, 9.A.6, 9.A.7, 10.B.3, 10.B.4, 10.B.6, 10.B.7, 10.B.8, 10.B.9 and 10.B.10 of Form 20-F)****Class A Ordinary Shares*****General***

Under our second amended and restated memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

Under our second amended and restated articles of association (the “**Articles**”), our issued and outstanding ordinary shares consist of Class A ordinary shares, par value HK\$0.03 per share (“Class A ordinary shares”) and Class B ordinary shares, par value HK\$0.03 per share (“Class B ordinary shares”). All of our outstanding ordinary shares, which consist of Class A ordinary shares and Class B ordinary shares, are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and transfer their ordinary shares.

Holders of our Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. The Class A ordinary shares and Class B ordinary shares carry equal rights and rank *pari passu* with one another, including the rights to dividends and other capital distributions.

***Voting Rights***

On a show of hands each shareholder is entitled to one vote or, on a poll, each shareholder is entitled to one vote for each Class A ordinary share and 20 votes for each Class B ordinary share, voting together as a single class, on all matters that require a shareholder’s vote. Voting at any shareholders’ meeting is by show of hands of shareholders who are present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorized representative, unless a poll is demanded.

A poll may be demanded by the chairman of such meeting or any shareholder present in person or by proxy.

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is duly registered as our shareholder and all calls or instalments due by such shareholder to us have been paid.

An ordinary resolution to be passed at a general meeting requires the affirmative vote of a simple majority of the votes cast, while a special resolution requires the affirmative vote of at least two-thirds of votes attached to all outstanding ordinary shares cast at a general meeting.

***Transfer Agent and Registrar***

The transfer agent and registrar for the Class A ordinary shares is VStock Transfer, LLC, a California limited liability company with its business address at 18 Lafayette Place, Woodmere, New York 11598.

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## ***General Meetings of Shareholders***

Our Articles provides that our company may (but shall not be obligated to) hold an annual general meeting of shareholders in each calendar year, subject to Cayman Islands laws and the Nasdaq Rules, in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held as a physical meeting in any part of the world and/or at one or more locations as a hybrid meeting or as an electronic meeting, at such time and place as may be determined by our directors.

Shareholders' meetings may be convened by a majority of our board of directors or the chairman of our board of directors. Advance notice of at least ten clear days is required for the convening of our annual general meeting and any other general meeting of our shareholders. Notwithstanding that a meeting is called by shorter notice than that mentioned above, but, subject to the Companies Act, it will be deemed to have been duly called, if it is so agreed (1) in the case of a meeting called as an annual general meeting by all of our shareholders entitled to attend and vote at the meeting; and (2) in the case of any other meeting, by a majority in number of the shareholders holding not less than 95% in nominal value of the issued shares giving that right.

No business other than the appointment of a chairman may be transacted at any general meeting unless a quorum is present at the commencement of business. However, the absence of a quorum will not preclude the appointment of a chairman. If present, the chairman of our board of directors shall be the chairman presiding at any shareholders' meetings.

A corporation being a shareholder shall be deemed for the purpose of our Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation that he represents as that corporation could exercise if it were our individual shareholder.

## ***Dividends***

Subject to the Companies Act (Revised) of the Cayman Islands (the "Companies Act"), our directors may declare dividends in any currency to be paid to our shareholders. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. Our board of directors may also declare and pay dividends out of the share premium account or any other fund or account that can be authorized for this purpose in accordance with the Companies Act. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provides, (1) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on that share and (2) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Our directors may also pay interim dividends, whenever our financial position, in the opinion of our directors, justifies such payment.

Our directors may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by such shareholder to us on account of calls or otherwise.

No dividend or other money payable by us on or in respect of any share shall bear interest against us. In respect of any dividend proposed to be paid or declared on our share capital, our directors may resolve and direct that (1) such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that our shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if our directors so determine) in cash in lieu of such allotment or (2) the shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our directors may think fit. Our shareholders may, upon the recommendation of our directors, by ordinary resolution resolve in respect of any particular dividend that, notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent by mail addressed to the holder at his registered address, or addressed to such person and at such addresses as the holder may direct. Every check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to us.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by our board of directors for the benefit of our company until claimed. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and reverted to us.

Whenever our directors have resolved that a dividend be paid or declared, our directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe for our securities or securities of any other company. Where any difficulty arises with regard to such distribution, our directors may settle it as they think expedient. In particular, our directors may issue fractional certificates, ignore fractions altogether or round the same up or down, fix the value for distribution purposes of any such specific assets, determine that cash payments shall be made to any of our shareholders upon the footing of the value so fixed in order to adjust the rights of the parties, vest any such specific assets in trustees as may seem expedient to our directors, and appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, which appointment shall be effective and binding on our shareholders.

### ***Transfer of Ordinary Shares***

Subject to any applicable restrictions set forth in our Articles, including, for example, the board of directors' discretion to refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under share incentive plans for employees upon which a restriction on transfer imposed thereby still subsists, or a transfer of any share to more than four joint holders, any of our shareholders may transfer all or any of his or her shares by an instrument of transfer in the usual or common form or in a form prescribed by the Nasdaq Global Select Market or in another form that our directors may approve.

Our directors may decline to register any transfer of any share which is not paid up or on which we have a lien. Our directors may also decline to register any transfer of any share unless:

- the instrument of transfer is lodged with us and is accompanied by the certificate for the shares to which it relates and such other evidence as our directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of share;
- the instrument of transfer is properly stamped (in circumstances where stamping is required); and
- a fee of such maximum sum as the Nasdaq Global Select Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

### ***Liquidation***

Subject to any future shares which are issued with specific rights, (1) if we are wound up and the assets available for distribution among our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* among those shareholders in proportion to the amount paid up at the commencement of the winding up on the shares held by them, respectively, and (2) if we are wound up and the assets available for distribution among the shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

If we are wound up (whether the liquidation is voluntary or by the court), the liquidator may with the sanction of our special resolution and any other sanction required by the Companies Act, divide among our shareholders in specie or kind the whole or any part of our assets (whether or not they shall consist of property of the same kind) and may, for such purpose, set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders or different classes of shareholders.

The liquidator may also vest the whole or any part of these assets in trustees upon such trusts for the benefit of the shareholders as the liquidator shall think fit, but so that no shareholder will be compelled to accept any assets, shares or other securities upon which there is a liability.

The consideration received by each holder of a Class A ordinary share and a holder of a Class B ordinary share will be the same in any liquidation event.

#### ***Calls on Ordinary Shares and Forfeiture of Ordinary Shares***

Subject to our Articles and to the terms of allotment, our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

#### ***Redemption of Shares, Repurchase and Surrender of Ordinary Shares***

We are empowered by the Companies Act and our Articles to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Act, our Articles and to any applicable requirements imposed from time to time by the Nasdaq Global Select Market, the U.S. Securities and Exchange Commission (the "SEC"), or by any other recognized stock exchange on which our securities are listed.

We may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors.

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 (1) unless it is fully paid up, (2) if such redemption or repurchase would result in there being no shares outstanding, or (3) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

#### ***Variations of Rights of Shares***

If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a majority of two-thirds of the vote of all of the shares in that class.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

#### ***Issuance of Additional Shares***

Our Articles authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our Articles also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- 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 preference 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.

#### ***Anti-Takeover Provisions***

Some provisions of our Articles 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 preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Articles for a proper purpose and for what they believe in good faith to be in the best interests of our company.

#### ***Alteration of Capital***

We may from time to time by ordinary resolution in accordance with the Companies Act alter the conditions of our Articles to:

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amounts than our existing shares;
- 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 cancelled subject to the provisions of the Companies Act;
- sub-divide our shares or any of them into shares of smaller amount than is fixed by our Articles, subject nevertheless to the Companies Act, so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others, as we have power to attach to unissued or new shares; and
- divide shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares, attach to the shares respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions that in the absence of any such determination in a general meeting may be determined by our directors.

We may, by special resolution, subject to any confirmation or consent required by the Companies Act, reduce our share capital or any capital redemption reserve in any manner authorized by law.

#### ***Register of Members***

In accordance with Section 48 of the Companies Act, the register of members is prima facie evidence of the registered holder or member of shares of a company. Therefore, a person becomes a registered holder or member of shares of the company only upon entry being made in the register of members.

## ***Exempted Company***

We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- subject to its memorandum and articles of association, is not required to open its register of members for inspection;
- subject to its memorandum and articles of association, does not have to hold an annual general meeting;
- may issue shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for twenty (20) years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

## **Differences in Corporate Law**

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Companies Act and the current Companies Act of England.

In addition, the Companies Act 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 laws applicable to United States corporations and companies incorporated in the State of Delaware.

## ***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, (1) “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 (2) a “consolidation” means the combination of two or more constituent companies into a consolidated 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 (1) a special resolution of the shareholders of each constituent company, and (2) 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 list of 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. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a “parent” of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman 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.

Separate from the statutory provisions relating to mergers and consolidations, 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 in the case of a members scheme, by seventy-five per cent in value of the members or class of members, as the case may be, with whom the arrangement is to be made and in the case of a creditors scheme, by a majority in number of each class of creditors with whom the arrangement is to be made, and who must in addition represent seventy-five per cent in value of each such class 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 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 a dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90.0% 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 to the offeror 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 procedures, a dissenting shareholder would have no rights comparable to appraisal rights, save that objectors to a takeover offer may apply to the Grand Court of the Cayman Islands for various orders that the Grand Court of the Cayman Islands has a broad discretion to make, 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.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its members or an express power in its articles of association. On hearing such a petition, the Cayman Islands court may, among other things, make an order appointing a restructuring officer or make any other order as the court thinks fit.

## ***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 not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of our company to challenge actions where:

- an act which is ultra vires or illegal and is therefore incapable of ratification by the shareholders;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- an act which constitute a fraud against the minority where the wrongdoer are themselves in control of the company.

## ***Indemnification of Directors and Executive 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 Articles permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud of such directors or officers. 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 Articles.

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 or she reasonably believes to be in the best interests of the corporation. He or she 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 it is considered that he or she 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 or her position as director (unless the company permits him or her to do so),
- a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interest or his or her 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 or her duties a greater degree of skill than may reasonably be expected from a person of his or her 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. Under Cayman Islands law, a company may eliminate the ability of shareholders to approve corporate matters by way of written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matters at a general meeting without a meeting being held by amending the articles of association.

Our Articles do not allow shareholders to act by written resolutions.

#### ***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.

With respect to shareholder proposals, Cayman Islands law is essentially the same as Delaware law. The Companies Act does not provide shareholders with an express right to put forth any proposal before an annual meeting of the shareholders. However, the Companies Act may provide shareholders with limited rights to requisition a general meeting but such rights must be stipulated in the articles of association of the Company.

Any one or more shareholders holding not less than two-thirds of the votes attaching to the total issued and paid up share capital of the Company at the date of deposit of the requisition shall at all times have the right, by written requisition to the board of directors or the secretary of the company, to require an extraordinary general meeting to be called by the board of directors for the transaction of any business specified in such requisition.

#### ***Cumulative Voting***

Under the Delaware General Corporation Law, cumulative voting for election 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.

There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands but our Articles do not provide for cumulative voting. 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 Articles, directors may be removed with or without cause, by an ordinary resolution of our shareholders.

### ***Transactions with Interested Shareholders***

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public 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 shares within the past three years.

This statute 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, it does provide that such transactions must be entered into *bona fide* in the best interests of the company and for a proper 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 Cayman Islands law and our Articles, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class with sanction of a resolution passed by a majority of two-thirds of the votes cast at a separate 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 the Cayman Islands law, our Articles 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 Articles 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 Articles governing the ownership threshold above which shareholder ownership must be disclosed.

### ***Inspection of Books and Records***

Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation’s stock ledger, list of shareholders and other books and records.

Holders of our shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we intend to provide our shareholders with annual reports containing audited financial statements.

## Significant Subsidiaries of the Registrant

<b>Subsidiaries</b>	<b>Place of Incorporation</b>
Orient Plus International Limited	British Virgin Islands
Ebang Communications (HK) Technology Limited (formerly known as Hong Kong Bite Co., Limited)	Hong Kong
Ebon International LLC	United States
Power Ebang Limited	British Virgin Islands
HongKong Ebang Technology Co., Limited	Hong Kong
Tower Lead Limited	British Virgin Islands
Ebon Technology LLC	United States
Ebonex International Limited (formerly known as Lucky Chance Global Limited)	British Virgin Islands
Australia Ebon Pty Ltd	Australia
Ebonex Australia Pty Ltd	Australia
Ebon Management Australia Pty Limited	Australia
Ebonex New Zealand Limited	New Zealand
Compass Global Holdings Pty Ltd	Australia
Ebon Financial Services Pty Limited	Australia
Singapore Ebang Pte. Ltd.	Singapore
Ebonex Singapore Pte. Ltd.	Singapore
Ebonex Bahams Limited	Bahamas
Ebon Management Pte. Ltd.	Singapore
Ebon Pay Pte. Ltd.	Singapore
Ebon Pay Sdn. Bhd.	Malaysia
Ebang Communication Limited	British Virgin Islands
Ebang Communication Limited	Canada
Summit King Limited	British Virgin Islands
HongKong Ebang Digital Technology Limited	Hong Kong
Ebang Digital Asset Custody Limited	Hong Kong
Ebang Digital Asset Management Limited	Hong Kong
Ebang Financial Services Limited	Hong Kong
Ebang Trust Limited	Hong Kong
Hangzhou Ebang Shuotai Technology Co., Ltd.	PRC
Hangzhou Ebang Hongfa Technology Co., Ltd.	PRC
Zhejiang Ebang Communication Technology Co., Ltd.	PRC
Hangzhou Dewang Information Technology Co., Ltd.	PRC
Zhejiang Ebang Information Technology Co., Ltd.	PRC
Shanghai Yijiaxin IC Design Co., Ltd.	PRC
Hangzhou Yibang Botong Technology Co., Ltd.	PRC
Hangzhou Bangyun Information Technology Co., Ltd. (formerly known as Yunnan Ebang Information Technology Co., Ltd.)	PRC
Hangzhou Ebang Shengye Technology Co., Ltd.	PRC

## EBANG INTERNATIONAL HOLDINGS INC.

**INSIDER TRADING POLICY  
AND GUIDELINES WITH RESPECT TO  
CERTAIN TRANSACTIONS IN COMPANY SECURITIES****(As amended November 15, 2021)**

This Insider Trading Policy and Guidelines with Respect to Certain Transactions in Company Securities (the “**Policy**”) provides guidelines to directors, officers, employees and other related individuals of Ebang International Holdings Inc., a Cayman Islands company (the “**Company**”), with respect to transactions in the Company’s securities. The Company has adopted this Policy in order to ensure compliance with securities laws and to avoid even the appearance of improper conduct by anyone associated with the Company. Failure to comply with these procedures could result in a serious violation of the securities laws by you and/or the Company and can result in both civil penalties and criminal fines and imprisonment. We have all worked hard to establish the Company’s reputation for integrity and ethical conduct, and we are all responsible for preserving and enhancing this reputation. The appearance of insider trading can cause a substantial loss of confidence in the Company and its shares on the part of the public and the securities markets. This could result in an adverse impact on the Company and its shareholders. Accordingly, avoiding the appearance of engaging in share transactions on the basis of material undisclosed information can be as important as avoiding a transaction actually based on such information. The Company has appointed its Chief Executive Officer (the “**Compliance Officer**”), as the Company’s Insider Trading Compliance Officer.

**I. Applicability of Policy.**

This Policy applies to all transactions in the Company’s securities, including Class A ordinary shares, Class B ordinary shares, options for Class A ordinary shares or Class B ordinary shares, restricted shares, restricted share units and any other securities the Company may issue from time to time, such as preferred shares, warrants, notes and convertible debentures, as well as to derivative securities relating to the Company’s shares, whether or not issued by the Company, such as exchange-traded options and debt securities. It applies to all officers of the Company, all members of the Company’s board of directors (the “**Board of Directors**”) and observers, if any, and all employees of, and consultants and contractors to, the Company and its direct and indirect subsidiaries, affiliates and branches who receive or have access to Material Nonpublic Information (as defined below) regarding the Company (collectively, “**Company Affiliated Persons**”). Company Affiliated Persons, members of their immediate families (which include spouse and minor children), members of their households, other family members living with them or who are supported by them, are sometimes referred to in this Policy as “**Insiders**.” This Policy also applies to any 401(k) plan, trust or other estate in which an Insider has a substantial beneficial interest or as to which he or she serves as trustee or in a similar fiduciary capacity, and to any trust, corporation, partnership or other entity which the Insider controls, including venture capital partnerships. This Policy also applies to any person who receives Material Nonpublic Information from any Insider. Information is defined as “**Material Nonpublic Information**” if the material has not been disclosed or otherwise made available to the general public by the Company and as further defined herein.

Any person who possesses Material Nonpublic Information regarding the Company is an Insider for so long as the information is not publicly known. Any employee can be an Insider from time to time, and would at those times be subject to this Policy.

The Policy imposes additional restrictions upon Insiders who have routine access to Material Nonpublic Information, referred to as “**Access Insiders.**” Access Insiders are: (1) members of the Board of Directors, (2) the Company’s executive officers (including all vice presidents of the Company), (3) the controller and Company finance team, and (4) the investor relations department of the Company. In addition, other employees of the Company who have routine access to Material Nonpublic Information as determined by the Compliance Officer, who were notified that these additional restrictions apply to them shall also be Access Insiders until otherwise determined by the Compliance Officer.

## **II. General Policy**

It is the policy of the Company to oppose the unauthorized disclosure of any nonpublic information acquired in the work-place and the misuse of Material Nonpublic Information in securities trading.

## **III. Specific Policies**

**1. Trading on Material Nonpublic Information.** No Insider shall engage in any transaction involving a purchase or sale of the Company’s securities, including any offer to purchase or offer to sell, during any period commencing with the time that he or she first receives Material Nonpublic Information concerning the Company, and ending at the close of business on the second Trading Day (as defined herein) following the date of public disclosure of that information, or at such time as such nonpublic information is no longer material. As used herein, the term “**Trading Day**” shall mean a day on which the Nasdaq Global Select Market (“**Nasdaq**”) is open for trading. Except for public holidays in the U.S., the regular trading hours of Nasdaq are from 9:30 a.m. to 4:00 p.m., New York City time, Monday through Friday.

**2. Tipping.** No Insider shall disclose Material Nonpublic Information (sometimes called a “**Tip**” or “**Tipping**”) to any other person (including family members) where such information may be used by such person to his or her profit by trading in the securities of companies to which such information relates, nor shall such Insider or related person make recommendations or express opinions on the basis of Material Nonpublic Information as to trading in the Company’s securities. No Insider may give trading advice of any kind about the Company to anyone, whether or not such Insider is aware of Material Nonpublic Information about the Company, except that Insiders should advise other Insiders not to trade if such trading might violate the law or this Policy.

**3. Confidentiality of Nonpublic Information.** Nonpublic information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden. In the event any officer, director or employee of the Company receives any inquiry from outside the Company, such as a stock analyst, for information (particularly financial results and/or projections) that may be Material Nonpublic Information, the inquiry should be referred to the Compliance Officer, and to the other appropriate Company officers, as provided for in the Disclosure Policy of the Company, if any, as may be in place from time to time.

## **IV. Potential Criminal and Civil Liability and/or Disciplinary Action**

**1. Liability for Insider Trading.** In the United States and many other countries, the personal consequences to an Insider of illegally trading securities while in possession, or on the basis of, Material Nonpublic Information can be quite severe. In the United States there are substantial civil penalties and criminal sanctions which may be assessed for insider trading. Civil penalties (in addition to disgorgement) may result in a payment of a penalty of up to three times the illicit windfall, and in certain circumstances, civil penalties may extend beyond the illicit windfall gained as a result thereof. In addition, Insiders may be subject to criminal fines of up to \$5,000,000 and up to twenty years in prison for engaging in transactions in the Company’s securities at a time when they have knowledge of Material Nonpublic Information regarding the Company.

If you are located or engaged in dealings outside the U.S., be aware that laws regarding insider trading and similar offenses differ from country to country. Employees must abide by the laws in the country where located. However, you are required to comply with this Policy even if local law is less restrictive. If a local law conflicts with this Policy, you must consult the Compliance Officer.

If securities transactions ever become the subject of scrutiny, they are likely to be viewed after-the-fact with the benefit of hindsight. As a result, before engaging in any transaction an Insider should carefully consider how the transaction may be construed in the bright light of hindsight. If you have any questions or uncertainties about this Policy or a proposed transaction, please ask the Compliance Officer.

**2. Liability for Tipping.** Insiders may also be liable for improper transactions by any person (commonly referred to as a “Tippee”) to whom they have disclosed Material Nonpublic Information or any person to whom the Tippee discloses such Material Nonpublic Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company’s securities. The civil penalties and criminal sanctions for Tipping by an Insider are the same as the ones for an Insider conducting insider trading, even if the disclosing person did not profit from the trading. The U.S. Securities and Exchange Commission (the “SEC”), the Financial Industry Regulatory Authority (“FINRA”) and the stock exchanges use sophisticated electronic surveillance techniques to uncover insider trading.

**3. Possible Disciplinary Actions.** The seriousness of securities law violations is reflected in the penalties and criminal sanctions such violations carry. These violations may also create negative publicity for the Company and a director’s resignation may be sought, or an officer or other employee will be subject to possible Company disciplinary action including ineligibility for future participation in the Company’s equity incentive plans or termination of employment.

#### **V. Individual Responsibility**

Every Company Affiliated Person has the individual responsibility to comply with this Policy against insider trading, regardless of whether the Company has recommended a trading window to that person or any other Insiders of the Company. The guidelines set forth in this Policy are not intended to provide a conclusive solution for all circumstances, and appropriate judgment should be exercised in connection with any trade in the Company’s securities.

An Insider may, from time to time, have to forego a proposed transaction in the Company’s securities even if he or she planned to make the transaction before learning of the Material Nonpublic Information and even though the Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting.

#### **VI. Applicability of Policy to Inside Information Regarding Other Companies**

This Policy and the guidelines described herein also apply to Material Nonpublic Information relating to other companies, including the Company’s customers, vendors or suppliers (“Business Partners”), when that information is obtained in the course of employment with, or other services performed on behalf of, the Company. Civil penalties and criminal sanctions, and termination of employment, may result from trading on inside information regarding the Company’s Business Partners. All employees should treat Material Nonpublic Information about the Company’s Business Partners with the same care required with respect to information related directly to the Company.

## **VII. Dissemination of Company Information**

The prohibition of the disclosure of Material Nonpublic Information applies to all contacts made within and outside the Company. Care should be taken to prevent the disclosure of Material Nonpublic Information during all contact including phone calls and casual conversation. If in doubt about whether information falls into the category of Material Nonpublic Information, then the information should not be disclosed.

Prior to disclosure to any third party, any officer, director or employee of the Company who is aware of any Material Nonpublic Information concerning the Company that has not been disclosed to the public should report the intention to disclose such information promptly to the Compliance Officer and obtain approval to do so, or otherwise act in accordance with the Company's Disclosure Policy, if any, as may be in place from time to time.

## **VIII. Definition of Material Nonpublic Information**

Material Nonpublic Information is information which is material, and that has not been disclosed or otherwise made available to the general public by the Company.

It is not possible to define all categories of material information. Generally, information should be regarded as material if (i) a reasonable investor would consider it important in making an investment decision regarding the purchase or sale of the Company's securities, (ii) the information, if made public, would likely affect the market price of the Company's securities or (iii) the information, if disclosed, could be viewed by a reasonable investor as having significantly altered the total mix of information available in the marketplace about the Company. Either positive or negative information may be material. 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. Nonpublic information can be material even with respect to companies that do not have publicly traded stock, such as those with outstanding bonds or bank loans.

While it may be difficult under this standard to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. If any Insider has questions as to the materiality of information, he or she should contact the Compliance Officer for clarification. Examples of information which is deemed to be material include:

- Financial results;
- Projections of future earnings or losses;
- News of a pending or proposed merger or acquisition;
- New product or project announcements of a significant nature;
- The initiation, suspension and results of the Company's clinical trials and any other material information relating thereto;
- Expansion or curtailment of operations or the gain or loss of a substantial customer;
- Changes in control of the Company or major changes in senior management;

- Significant new joint ventures, alliances, or strategic partnerships or material developments in existing arrangements;
- Impending bankruptcy or financial liquidity problems;
- Significant product defects or modifications;
- Significant pricing changes;
- Events regarding the Company's securities (e.g. stock splits, repurchases, or changes in dividend policy);
- Changes in auditors or auditor notification that the Company may no longer rely on an audit report;
- A significant purchase or sale of assets or disposition of a subsidiary or division;
- New equity or debt offerings, significant borrowings, or other material financial transactions;
- Significant litigation exposure due to actual or threatened litigation;
- Significant actions by regulatory bodies;
- Receipt, cancellation or deferral of significant purchase orders;
- Significant actions by regulatory bodies;
- Proposed payment of a dividend; and
- Any of the above with respect to a subsidiary, or other affiliate of the Company.

Nonpublic information is information that has not been previously disclosed to the general public and is otherwise not available to the general public. It is important to note that information is not necessarily public merely because it has been discussed in the press, which will sometimes report rumors. You should presume that information is nonpublic unless you can point to its official release by the Company in at least one of the following ways:

1. Information contained in publicly available documents filed with securities regulatory authorities (e.g., filings with the SEC);
2. Issuance of press releases; or
3. Meetings with members of the press and the public.

It is important to remember that whether information is material will be viewed by enforcement authorities with the benefit of hindsight; if the price of the Company's shares changed as a result of the information having been made public, it will likely be considered material by enforcement authorities.

#### **IX. Additional Circumstances Where No Exceptions Apply**

There are almost no exceptions to the prohibition against insider trading. For example, it does not matter that the transactions in question may have been planned before the Insider came into possession of the undisclosed material information, regardless of the economic loss that the person may believe he or she might suffer as a consequence of not trading.

As noted above, the definition of Insiders, to which this Policy applies, includes immediate family members of Company Affiliated Persons. Although immediate family is narrowly defined, a Company Affiliated Person should be especially careful with respect to family members or to unrelated persons living in the same household.

Finally, there are no limits on the size of a transaction that will trigger insider trading liability; relatively small trades have in the past occasioned investigations and lawsuits.

## **X. Trading Window**

The period beginning two weeks before the end of the last month of each six (6) calendar months and ending two (2) Trading Days following the date of public disclosure of the financial results for that period, is a particularly sensitive period of time for transactions in the Company's ordinary shares from the perspective of compliance with applicable securities laws. This sensitivity is due to the fact that directors, officers and certain other employees will, during that period, often possess Material Nonpublic Information about the expected financial results for the six (6) months.

Accordingly, to ensure compliance with this Policy and applicable federal and state securities laws, it is the Company's policy that all directors, officers and certain other employees refrain from conducting transactions involving the purchase or sale of the Company's securities other than during the period (the "**Trading Window**") commencing at the close of business on the second Trading Day following the date of public disclosure of the financial results for a particular fiscal six-month period and continuing until the day that is two (2) weeks before the last day of the last month of the next fiscal six-month period. As a courtesy to the persons subject to this Policy, the Company may provide advance notice before the Trading Window opens.

From time to time, the Company may also notify that directors, officers, selected employees and others are required to suspend trading because of developments known to the Company and not yet disclosed to the public. In such event, such persons are advised not to engage in any transaction involving the purchase or sale of the Company's securities during such period and should not disclose to others the fact of such suspension of trading.

The purpose behind the self-imposed Trading Window period is to help establish a diligent effort to avoid any improper transaction. It should be noted, however, that even during the Trading Window, any person possessing Material Nonpublic Information concerning the Company may not attempt to "beat the market" by trading simultaneously with, or shortly after, the official release of Material Nonpublic Information. Although there is no fixed period for how long it takes the market to absorb information, out of prudence a person aware of Material Nonpublic Information should refrain from any trading activity for at least two (2) full Trading Days following its official release, whether or not the Company has recommended a suspension of trading to that person.

**NOTWITHSTANDING THESE TIMING GUIDELINES, IT IS ILLEGAL FOR ANY PERSON TO TRADE WHILE IN POSSESSION OF MATERIAL NONPUBLIC INFORMATION, INCLUDING SITUATIONS IN WHICH THE PERSON IS AWARE OF MAJOR DEVELOPMENTS THAT HAVE NOT YET BEEN PUBLICLY ANNOUNCED BY THE COMPANY. TRADING IN THE COMPANY'S SECURITIES DURING THE TRADING WINDOW SHOULD NOT BE CONSIDERED A "SAFE HARBOR," AND ALL DIRECTORS, OFFICERS AND OTHER INSIDERS SHOULD USE GOOD JUDGMENT AT ALL TIMES.**

## **XI. Inquiries**

All Insiders should review this Policy carefully and contact the Compliance Officer if they have a concern that a contemplated transaction in the Company's securities might not conform with this Policy.

## **XII. Certain Exceptions**

For purposes of this Policy, the Company considers that the exercise of share options for cash under the Company's share option plans or the purchase of shares under employee purchase plans in effect at the time of the adoption of this Policy and that may be adopted in the future (but not the sale of any such shares) is exempt from this Policy, since the other party to the transaction is the Company itself and the price does not vary with the market but is fixed by the terms of the option agreement or the plan. Accordingly, cashless exercises of options are subject to the Policy when they involve the sale of shares into the public marketplace.

Bona fide gifts of securities are not deemed to be transactions for the purposes of this Policy. Whether a gift is truly bona fide will depend on the circumstances surrounding each gift. The more unrelated the donee is to the donor, the more likely the gift would be considered “bona fide” and not a “transaction.” For example, gifts to charities, religious institutions and service organizations would likely not be “transactions.” On the other hand, gifts to dependent children followed by a sale of the “gift” securities in close proximity to the time of the gift may imply some economic benefit to the donor and, therefore, make the gift non-bona fide.

The restrictions in this Policy shall not apply to purchases or sales made pursuant to a Qualified Plan. For purposes of this exception, a “**Qualified Plan**” is a written plan for purchasing or selling the Company’s securities which meets each of the following requirements: (1) the plan is adopted by the Insider during a Trading Window; (2) the plan is adopted in good faith by the Insider when he or she is not in possession of material non-public information; (3) the plan is adhered to strictly by the Insider; (4) the plan either (a) specifies the amount of securities to be purchased or sold and the date on which the securities are to be purchased or sold, (b) includes a written formula or algorithm, or computer program, for determining the amount of securities to be purchased or sold and the price at which and the date on which the securities are to be purchased or sold, or (c) does not permit the Insider to exercise any subsequent influence over how, when, or whether to effect purchases or sales; provided, in addition, that any other person who, pursuant to the plan, does exercise such influence must not have been aware of the Material Nonpublic Information when doing so; and (5) at the time it is adopted the plan conforms to all other requirements of Rule 10b5-1(c)(1)(C) under the U.S. Securities Exchange Act of 1934, as amended and then in effect.

In addition to the above requirements, a Qualified Plan shall be signed and dated by the Insider, and submitted to the Compliance Officer at least two (2) Trading Days before it is filed with the broker who executes it. The Company shall have the right, at all time, to suspend purchases or sales under a Qualified Plan; for instance in the event that the Company needs to comply with requirements by underwriters for “lock-up” agreements in connection with an underwritten public offering of the Company’s securities. A Qualified Plan cannot be canceled, suspended, expanded or otherwise modified by the Insider who signed it more than once during a fiscal quarter. Any cancellation, suspension, expansion or other modification of a Qualified Plan by the Insider who established it must: (1) be in writing, signed and dated by such Insider, (2) be submitted to the Compliance Officer within two (2) Trading Days after the cancellation, suspension, expansion or other modification was reduced to writing, and (3) be made during a Trading Window, and when the Insider who established it has no Material Nonpublic Information about the Company.

### **XIII. Additional Information for Directors, Officers and Certain Employees with Routine Access to Material Nonpublic information**

This Policy imposes additional restrictions upon Access Insiders, because of their routine access to Material Nonpublic Information.

1. **Preclearance of Trades.** The Company has determined that all Access Insiders should refrain from trading in the Company’s securities, even during the Trading Window, without first complying with the Company’s “preclearance” process. Each Access Insider should contact the Compliance Officer prior to commencing any trade in the Company’s securities or entering into a Qualified Plan and delivering it to the broker for execution. At the time of executing a trade in the Company’s securities, such individuals will be responsible for verifying that the Company has not imposed any restrictions on their ability to engage in trades. If the individual has not completed the trade within ten (10) Trading Days of notification of the intention to trade, then the individual must again notify the Compliance Officer that he or she intends to execute a trade and re-verify the nonexistence of any restrictions on such trade. For the avoidance of doubt, this paragraph shall not apply to a Qualified Plan, after it has been set up.

Before each transaction in the Company's securities, each officer and director should contact the Compliance Officer regarding compliance with Rule 144 under the U.S. Securities Act of 1933, as amended ("**Rule 144**"), which contains guidelines for the sale of privately issued shares and sales by affiliates of the Company, if such sales are not covered by an effective registration statement, to the extent applicable.

2. **Rule 144 and Section 16 Matters for Directors and Officers.** Directors and principal officers of the Company must also comply with Rule 144, or another applicable exemption from registration. The practical effect of Rule 144 is that directors and officers who sell the Company's securities may be required to comply with a number of requirements including holding period, volume limitation, manner of sale and SEC filing requirements. The Company may provide separate memoranda and other appropriate materials to its directors and officers regarding compliance with Rule 144. In addition, if the Company is no longer considered a "foreign private issuer," the directors and officers who trade with Company securities have to report purchases and sales of shares through the filing of Form 4s with the SEC. The Company will advise such persons if they are subject to the requirement to file a Form 4.

#### **XIV. Specific Requirements**

1. **Speculative Trading.** No Insider may engage in transactions of a speculative nature at any time. All Insiders are prohibited from short-selling the Company's securities or engaging in transactions involving the Company's based derivative securities. A short sale, for these purposes, means any transaction whereby one may benefit from a decline in the price of the Company's securities. "**Derivative Securities**" are options, warrants, stock appreciation rights or similar rights whose value is derived from the value of an equity security, such as the Company's ordinary shares. This prohibition includes, but is not limited to, trading in the Company's based put and call option contracts, transacting in straddles, hedging or monetization transaction with respect to the Company's securities, and the like. In addition, no Insider shall engage in a transaction with respect to securities of the Company if he or she owns the security, but does not deliver it against such sale (a "**short sale against the box**") within twenty (20) days thereafter, or does not within five (5) days after such sale deposit it in the mails or other usual channels of transportation. The above does not derogate from Insiders' right to hold and exercise options or other Derivative Securities granted under the Company's employee share option or equity incentive plans as long as such exercise is not prohibited by this Policy.

2. **Margin Accounts and Pledges.** Securities held in a margin account may be sold by the broker without the consent of the owner thereof if such owner fails to meet a margin call. Similarly, securities pledged as collateral for a loan may be sold if the owner thereof defaults on the loan. In case of an owner who is subject to this Policy, these sales may occur at a time when such person is aware of Material Nonpublic Information or otherwise not permitted to trade such securities. Therefore, this policy prohibits holding any Company securities in a margin account or pledging any Company securities as collateral for a loan.

3. **Post-Termination Transactions.** If an Insider is aware of Material Nonpublic Information at the time such Insider's association with the Company is terminated, whether by the Insider or the Company, the Insider may not trade in Company securities until such information is no longer material or until two (2) Trading Days after such information has become public. In addition, if the Company is not in a Trading Window at the time such association with the Company is terminated, the Insider may not trade in Company securities until two (2) Trading Days after the next announcement of six-month earnings or of the material, non-public information.

4. **Ad hoc Restrictions.** The Compliance Officer has the authority to impose restrictions on trading in the Company's securities by certain individuals at any time. In such event, the Compliance Officer will notify the affected individuals, either personally, by email or by voicemail, to inform them of the restrictions.

5. **Open Orders.** Any Insider who has placed a limit order or open instruction to buy or sell the Company's securities shall bear responsibility for canceling such instructions immediately upon becoming in possession of Material Nonpublic Information.

#### **XV. Acknowledgement**

Please sign the attached acknowledgement form and return it to the Compliance Officer.

If you have any questions with respect to this Policy, please contact the Company's Compliance Officer, at Building 7, No. 5, Nangonghe Road, Linping Street, Yuhang District, Hangzhou, Zhejiang, 311100, People's Republic of China.

Insider Trading Policy – Ebang International Holdings Inc. – As amended November 15, 2021

**ACKNOWLEDGEMENT**

I have received, read and understand the Insider Trading Policy and Guidelines with Respect to Certain Transactions in Company Securities of Ebang International Holdings Inc., a copy of which is attached hereto, and agree to comply with the provisions thereof.

Date:

Signature:

Name:

Title:

**Certification by the Principal Executive Officer and Principal Financial Officer**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Dong Hu, certify that:

1. I have reviewed this annual report on Form 20-F of Ebang International Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. I am 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 Rule 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 my supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to me 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 my 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 my 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. I have disclosed, based on my 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.

April 26, 2024

By: /s/ Dong Hu

Name: Dong Hu

Title: Chief Executive Officer and Chief Financial Officer  
(Principal Executive Officer and Principal Financial Officer)

**Certification by the Principal Executive Officer and Principal Financial Officer**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Ebang International Holdings Inc. (the "Company") on Form 20-F for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dong Hu, Chief Executive Officer and 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.

April 26, 2024

By: /s/ Dong Hu  
Name: Dong Hu  
Title: Chief Executive Officer and Chief Financial Officer  
(Principal Executive Officer and Principal Financial Officer)

26 April 2024

Matter No.: 838216  
Doc Ref: PL/BXC/jm/109756430

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Beverly.Cheung@conyers.com

The Directors  
Ebang International Holdings Inc.  
12 Marina View, #20-02B  
Asia Square Tower 2  
Singapore, 018961

Dear Sirs,

Re: **Ebang International Holdings Inc. (the “Company”)**

We refer to the annual report of the Company for the fiscal year ended 31 December 2023 on Form 20-F (the “**Annual Report**”) to be filed with the U.S. Securities Exchange Commission (the “**Commission**”) pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934 on or about 26 April 2024 (the “**Form 20-F**”).

We consent to the filing of this letter as an exhibit to the Annual Report and to the inclusion therein of the reference to our name under the heading “Item 10. Additional Information - E. Taxation - Cayman Islands Taxation” in the Annual Report in the form and context in which they appear.

In giving such consent, we do not hereby admit that we are experts within the meaning of Section 11 of the U.S. Securities Act, 1933 or that we are in the category of persons whose consent is required under Section 7 of the Securities Act, 1933 or the Rules and Regulations of the Commission promulgated thereunder.

Yours faithfully,

/s/ Conyers Dill & Pearman  
**Conyers Dill & Pearman**

競天公誠律師事務所  
JINGTIAN & GONGCHENG

Room 1401A, 03B, Tower 2, Phase 4, Kerry Center Qianhai, Qianhai Avenue, Qianhai Shenzhen-Hongkong Cooperation Zone, Nanshan District, Shenzhen  
T: (86-755) 2155-7000 F: (86-755) 2155-7099

April 26, 2024

**To: Ebang International Holdings, Inc.**  
12 Marina View, #20-02B  
Asia Square Tower 2  
Singapore, 018961

Dear Sir/Madam,

We hereby consent to the reference to our firm and the summary of our opinion under the headings, “Item 3. Key Information—D. Risk Factors—Risks Relating to Conducting Business in China”, “Item 4. Information on the Company—C. Organizational Structure”, “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation Regulatory Overview of the PRC” and “Item 10. Additional Information—E. Taxation—PRC Taxation” in Ebang International Holdings, Inc.’s Annual Report on Form 20-F for the year ended December 31, 2023 (the “Annual Report”), which will be filed with the Securities and Exchange Commission (the “SEC”) in the month of April 2024.

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/ Jingtian & Gongcheng

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Jingtian & Gongcheng

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-257787 and File No. 333-271513) and Form F-3 (File No. 333-271512) of our report dated April 26, 2024 with respect to the audited consolidated financial statements of Ebang International Holdings Inc., appearing in this Annual Report on Form 20-F for the year ended December 31, 2023.

/s/ MaloneBailey, LLP  
www.malonebailey.com  
Houston, Texas  
April 26, 2024

## EBANG INTERNATIONAL HOLDINGS, INC. (the “Company”)

## CLAWBACK POLICY

Effective as of October 7, 2023

**Background**

The Board of Directors of the Company (the “**Board**”) believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company’s pay-for-performance compensation philosophy. The Board has therefore adopted this policy, which provides for the recoupment (or clawback) of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws of the United States (the “**Policy**”). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), Rule 10D-1 promulgated under the Exchange Act (“**Rule 10D-1**”) and the listing standards of The Nasdaq Stock Market LLC (“**Nasdaq**”) under Nasdaq Listing Rule 5608.

**Administration**

This Policy shall be administered by the Compensation Committee of the Board (the “**Compensation Committee**”). Any determinations made by the Compensation Committee shall be final and binding on all affected individuals. Subject to any limitation under applicable law, the Compensation Committee may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

**Covered Executives**

This Policy applies to the Company’s current and former executive officers, as determined by the Compensation Committee in accordance with Section 10D of the Exchange Act and the listing standards of Nasdaq (“**Covered Executives**”).

**Recoupment; Accounting Restatement**

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, the Compensation Committee will require prompt reimbursement or forfeiture of any excess Incentive Compensation (as defined below) received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement. For the sake of clarity, recoupment is required in the event of any restatement that either: (a) corrects an error in previously issued financial statements that is material to the previously issued financial statements; or (b) corrects an error not material to previously issued financial statements, but that would result in a material misstatement if (i) the error was left uncorrected in the then current period; or (ii) the error correction was recognized in the then current period. The Company’s obligation to recover erroneously awarded compensation is not dependent on if or when the restated financial statements are filed. For purposes of determining the relevant recovery period, the date that the Company is required to prepare an accounting restatement as described above is the earlier to occur of: (A) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement as described above; or (B) the date a court, regulator, or other legally authorized body directs the Company to prepare an accounting restatement as described above. In accordance with Nasdaq Rule 5608(e), this Policy is applicable to Incentive Compensation received on or after October 2, 2023.

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## **Incentive Compensation**

For purposes of this Policy, “Incentive Compensation” means any of the following, provided that such compensation is granted, earned or vested based wholly or in part on the attainment of a financial reporting measure affected by the restated financial statements:

- Annual bonuses and other short- and long-term cash incentives.
- Share options.
- Share appreciation rights.
- Restricted shares.
- Restricted share units.

Financial reporting measures are measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission. The Company’s financial reporting measures may include, but are not limited to, the following:

- Company stock price.
- Total shareholder return.
- Revenues.
- Net income.
- Earnings before interest, taxes, depreciation and amortization (EBITDA).
- Funds from operations.
- Liquidity measures such as working capital, operating cash flow or Free Cash Flow.
- Return measures such as return on invested capital or return on assets.
- Earnings measures such as earnings per share.

This Policy applies to all Incentive Compensation received by a Covered Person:

- After beginning service as an executive officer;
- Who served as an executive officer at any time during the performance period for that Incentive Compensation;
- While the Company has a class of securities listed on a national securities exchange or a national securities association; and
- During the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described in this Policy. In addition to these last three completed fiscal years, this Policy applies to any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year.

Incentive Compensation is deemed received in the Company's fiscal period during which the financial reporting measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

**Excess Incentive Compensation: Amount Subject to Recovery.**

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Compensation Committee, and without regard to any taxes paid by or withheld from the Covered Executive. If the Compensation Committee cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement. For Incentive Compensation based on stock price or total shareholder return, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement, the amount will be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive Compensation was received. In such case, the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq.

**Method of Recoupment**

The Compensation Committee will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

- Requiring reimbursement of cash Incentive Compensation previously paid;
- Seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- Offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive in accordance with applicable law;
- Cancelling outstanding vested or unvested equity awards; and/or
- Taking any other remedial and recovery action permitted by law, as determined by the Board.

**No Indemnification**

The Company shall not indemnify any Covered Executives against the loss of any Incentive Compensation recovered under this Policy or from any consequence arising therefrom.

## **Interpretation**

The Compensation Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, Rule 10D-1 and any applicable rules or standards adopted by the Securities and Exchange Commission or Nasdaq.

## **Effective Date**

This Policy shall be effective as of the date it is adopted by the Board (the “**Effective Date**”) and shall apply to Incentive Compensation that is approved, awarded or granted to Covered Executives on or after that date.

## **Amendment; Termination**

The Compensation Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with any rules or standards adopted by Nasdaq. The Compensation Committee may terminate this Policy at any time.

## **Other Recoupment Rights**

The Board intends that this Policy will be applied to the fullest extent of the law. The Compensation Committee may require that any employment agreement, equity award agreement, or similar agreement entered into or amended on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of: (a) any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement or similar agreement and any other legal remedies available to the Company, including termination of employment or institution of legal proceedings; and (b) any statutory recoupment requirement, including Section 304 of the Sarbanes-Oxley Act of 2002. For the avoidance of doubt, any amounts paid to the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 shall be considered (and may be credited) in determining any amounts recovered under this Policy.

## **Impracticability**

The Compensation Committee shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined in accordance with Rule 10D-1(b)(1)(iv) under the Exchange Act and the listing standards of Nasdaq. In order for the Company to determine that recovery would be impracticable, the Compensation Committee must conclude the following:

- a) The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered after making a reasonable attempt to recover such Incentive Compensation. Note that the attempt(s) to recover must be documented by the Company and such documentation provided to Nasdaq;

- b) Recovery would violate home country law where that law was adopted prior to November 28, 2022. Note that the Company must obtain a legal opinion of home country counsel that such recovery would result in a violation of local law and provide such opinion to Nasdaq; or
- c) Recovery would likely cause an otherwise tax-qualified retirement plan under which benefits are broadly available to Company employees to fail to meet the requirements for qualified pension, profit-sharing and stock bonus plans under Section 401(a)(13) of the U.S. Internal Revenue Code or the minimum vesting standards under Section 411(a) of the U.S. Internal Revenue Code.

**Successors**

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

**Exhibit Filing**

A copy of this Policy shall be filed as an exhibit to the Company's annual report on Form 20-F.

**ATTESTATION AND ACKNOWLEDGEMENT OF CLAWBACK POLICY FOR EBANG  
INTERNATIONAL HOLDINGS, INC. (the “Company”)**

By my signature below, I acknowledge and agree that:

- I have received and read the attached Clawback Policy (this “Policy”) of the Company.
- I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company, including, without limitation, by promptly repaying or returning any incorrectly awarded Incentive Compensation to the Company as determined in accordance with this Policy.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

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

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