

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, 2022

OR

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

OR

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

Date of event requiring this shell company report \_\_\_\_\_

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

Commission file number 001-36896

**Mercurity Fintech Holding Inc.**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

**Cayman Islands**

(Jurisdiction of incorporation or organization)

**1330 Avenue of Americas, Fl 33,**

**New York, 10019, United States**

(Address of principal executive offices)

**Shi Qiu**

**Chief Executive Officer**

**Mercurity Fintech Holding Inc.**

**1330 Avenue of Americas, Fl 33,**

**New York, 10019, United States**

**Phone: +1(949)-678-9653**

(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
Ordinary Shares, par value US\$0.004 per share	MFH	The Nasdaq Capital 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 or common stock as of the close of the period covered by the annual report.

As of April 5, 2023, the registrant had 46,538,116 ordinary shares outstanding, which was the only class of its registered securities outstanding as of that date.

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions 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† provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

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

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

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

U.S. GAAP ☒

International Financial Reporting Standards  
as issued by the International Accounting  
Standards Board ☐

Other ☐

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

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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

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

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## INTRODUCTION

### Conventions Used in this Annual Report

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

- "we," "us," "company," "our company," or "our" refers to Mercury Fintech Holding Inc., which was formerly known as JMU Limited and Wowo Limited, its subsidiaries and its consolidated affiliated entities;
- "MFH Tech" refers to Mercury Fintech Technology Holding Inc., a wholly-owned subsidiary of the Company;
- "Ucon" refers to Ucon Capital (HK) Limited, a subsidiary of the Company;
- "NBpay" refers to NBpay Investment Limited, a subsidiary of the Company;
- "Golden Nation" refers to Golden Nation Ltd., a subsidiary of the Company;
- "NBpay Fintech" refers to NBpay Fintech Pte Ltd., a subsidiary of the Company;
- "ordinary shares" refer to our ordinary shares, par value US\$0.004 per share;
- "ADS" refers to our American depositary shares, each of which represented 360 ordinary shares before the mandatory exchange of the ADS for ordinary shares and removal of the ADR facility, effective February 28, 2023;
- "ADR" refers to American depositary receipt, which was cancelled on February 28, 2023 upon termination of the ADR facility;
- "VIEs" refers to (i) Mercury (Beijing) Technology Co., Ltd, or Mercury Beijing, and (ii) Beijing Lianji Technology Co., Ltd., or Lianji, which, together with Mercury Beijing, were consolidated by us solely for accounting purposes as variable interest entities, and which have ceased to be our consolidated entities, following the termination of our VIE structure on January 15, 2022;
- "Our WFOE" or "Lianji Future" refers to Beijing Lianji Future Technology Co., Ltd., our subsidiary in China that is a wholly foreign-owned enterprise and entered into contractual arrangements that give it effective control over the VIEs;
- "China" or the "PRC" refers to the mainland of the People's Republic of China, excluding, for the purpose of this annual report only and references to the specific laws and regulations, Hong Kong, Macau and Taiwan;
- "Renminbi" or "RMB" refers to the legal currency of China; and
- "\$," "US\$," "dollar" or "U.S. dollar" refers to the legal currency of the United States.

Our reporting and functional currency is U.S. dollar. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. This annual report contains translations of certain foreign currency amounts into U.S. dollars for the convenience of the reader. Unless otherwise stated, all translations of related assets and liabilities of Renminbi into U.S. dollars were made at the rate of RMB6.8972 to US\$1.00, the exchange rate as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System in effect as of December 30, 2022, and all translations of related profit or loss and cash flow of Renminbi into U.S. dollars were made at the rate of RMB6.7290 to US\$1.00, the exchange rate as set forth the annual average exchange rates for 2022 in the H.10 statistical release of the Board of Governors of the Federal Reserve System.

## FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties, including statements based on our current expectations, assumptions, estimates and projections about us and our industry. In some cases, these forward-looking statements can be identified by words or phrases such as "aim," "anticipate," "believe," "estimate," "expect," "going forward," "intend," "ought to," "plan," "project," "potential," "seek," "may," "might," "can," "could," "will," "would," "shall," "should," "is likely to" and the negative form of these words and other similar expressions. The forward-looking statements included in this annual report relate to, among others:

- our goals and strategies;
- our prospects, our business development, the growth of our operations, and our financial condition and results of operations;
- our plans to enhance customer experience, upgrade our blockchain technologies and expand our products and services;
- our expectations regarding demand for and market acceptance of our blockchain-based services;
- global competition in our industry; and
- fluctuations in general economic and business conditions.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations could later be found to be incorrect. Our actual results could be materially different from our expectations. You should thoroughly read this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This annual report contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. Our industry might not grow at the rate projected by market data, or at all. Failure of our industry to grow at the projected rate may have a material adverse effect on our business and the market price of our shares. Furthermore, if any one or more of the assumptions underlying the market data is later found to be incorrect, actual results could differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

**PART I**

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

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

**A. Selected Financial Data**

The following selected consolidated statements of operations data for the year ended December 31, 2020, 2021 and 2022, and selected consolidated balance sheet data as of December 31, 2021 and 2022, have been derived from our audited consolidated financial statements included elsewhere in this annual report. The selected consolidated statements of operations data for the year ended December 31, 2018 and 2019, and consolidated balance sheet data as of December 31, 2018, 2019 and 2020 are derived from our consolidated financial statements not included in this annual report, of which the selected consolidated statements of operations data for the year ended December 31, 2018 and consolidated balance sheet data as of December 31, 2018 have been restated due to the divestiture of the discontinued operations in 2019. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Our historical results are not necessarily indicative of results expected for future periods. You should read this selected financial data section together with our consolidated financial statements and the related notes and "Item 5. Operating and Financial Review and Prospects" included elsewhere in this annual report.

**Selected Consolidated Financial Data**

	For the year ended December 31,				
	2018 (Note)	2019 (Note)	2020 (Note)	2021 (Note)	2022 (Note)
(US\$ in thousands, except share and share related data)					
<b>Selected consolidated statements of operations data:</b>					
<b>Revenue:</b>					
Technical services	—	1,738	1,402	6	—
Cryptocurrency mining	—	—	—	664	783
Consultation services	—	—	—	—	80
<b>Total Revenue</b>	<b>—</b>	<b>1,738</b>	<b>1,402</b>	<b>670</b>	<b>863</b>
<b>Cost of Revenue:</b>					
Technical services	—	(257)	(79)	—	—
Cryptocurrency mining	—	—	—	(703)	(1,362)
Consultation services	—	—	—	—	(19)
<b>Total Cost of Revenue</b>	<b>—</b>	<b>(257)</b>	<b>(79)</b>	<b>(703)</b>	<b>(1,381)</b>
<b>Gross (loss)/profit</b>	<b>—</b>	<b>1,481</b>	<b>1,323</b>	<b>(33)</b>	<b>(517)</b>
<b>Operating expenses:</b>					
Selling and marketing	—	—	—	—	(35)
General and administrative	(1,809)	(741)	(1,157)	(10,351)	(2,156)
Provision for doubtful accounts	—	—	—	(1,751)	(3)
Loss on disposal of intangible assets	—	—	—	121	(30)
Impairment loss of intangible assets	—	—	(835)	(1,293)	(3,144)
<b>Total operating expenses</b>	<b>(1,809)</b>	<b>(741)</b>	<b>(1,992)</b>	<b>(13,274)</b>	<b>(5,368)</b>
<b>(Loss)/income from operations</b>	<b>(1,809)</b>	<b>740</b>	<b>(669)</b>	<b>(13,306)</b>	<b>(5,885)</b>
Loss from disposal of subsidiaries	—	—	—	—	(5)
Interest income, net	—	—	8	1	5
Other income, net	—	27	(33)	—	1
<b>(Loss)/income before provision for income taxes</b>	<b>(1,809)</b>	<b>767</b>	<b>(693)</b>	<b>(13,305)</b>	<b>(5,884)</b>
Provision for income tax benefits	—	—	—	—	249
<b>(Loss)/Income from continuing operations</b>	<b>(1,809)</b>	<b>767</b>	<b>(693)</b>	<b>(13,305)</b>	<b>(5,635)</b>
<b>Discontinued operations:</b>					
Loss from discontinued operations	(121,431)	(1,992)	(958)	(8,360)	—
<b>Net loss</b>	<b>(123,240)</b>	<b>(1,225)</b>	<b>(1,651)</b>	<b>(21,666)</b>	<b>(5,635)</b>
<b>Net loss attributable to holders of ordinary shares of Mercurity Fintech Holding Inc.</b>	<b>(123,240)</b>	<b>(1,225)</b>	<b>(1,651)</b>	<b>(21,666)</b>	<b>(5,635)</b>

Note: Due to the divestiture of our B2B business in July 2019, the results of operations from the B2B business has been reclassified as discontinued operations and the consolidated statements of operations for the year ended December 31, 2018 have been restated to reflect such reclassification. Due to the adverse regulatory measures taken by the PRC government in 2021 on digital currency production and transaction, the Company's Board of Directors decided on December 10, 2021 to divest the PRC companies of the related business controlled through VIE agreements and the divestiture was completed on January 15, 2022. The financial information related to the two divested VIEs subject to divestment have been reclassified in the accompanying audited consolidated financial statements as discontinued operations for the year ended December 31, 2020 and 2021. The consolidated statements of operations and the consolidated statements of cash flows for the year ended December 31, 2019 and 2020 are adjusted retrospectively to reflect the change.

Due to the price crash of Bitcoin in 2022, the Company, as a matter of caution, decided to change the impairment test method of Bitcoin and other cryptocurrencies from testing once or twice a year by calculating the fair value based on the average daily closing price of the past 12 months to testing every day by calculating the fair value based on the intraday low price. Because the intraday low price of cryptocurrencies to be utilized in calculating impairment of our cryptocurrencies held as that metric is the most accurate indicator of whether it is more likely than not that the asset is impaired. The Company evaluated the materiality of the changes from qualitative and quantitative perspectives, and concluded that the changes were material to the Consolidated Balance Sheet as of December 31, 2021 and Consolidated Statements of Operations, Equity, and Cash Flows for the year ended December

31, 2021. The Company restated the impacted financial statements as of December 31, 2021, and for the year ended December 31, 2021, and related notes included herein to correct these changes.

In the previously issued consolidated statements of operations for the year ended December 31, 2021, The Company did not clearly disclose the Provision for Doubtful Accounts, (Loss)/Income on disposal of intangible assets and Impairment loss of intangible assets, which were generally listed in Impairment Loss. The Company restated these items in the current consolidated statement.

	As of December 31,				
	2018	2019	2020	2021	2022
	(US\$ in thousands)				
Selected consolidated balance sheet data:					
Total current assets	4,619	2,134	2,471	1,742	7,516
Total assets	5,025	8,871	10,961	9,020	18,893
Total current liabilities	20,289	837	708	1,372	1,430
Total liabilities	27,211	837	708	1,372	2,064
Total shareholders' equity/(deficit)	(22,186)	8,035	10,253	7,648	16,829
Total liabilities and shareholders' equity	5,025	8,871	10,961	9,020	18,893

## B. Capitalization and Indebtedness

Not applicable.

## C. Reasons for the Offer and Use of Proceeds

Not applicable.

## D. Risk Factors

### Summary of Risk Factors

#### *Risks Relating to Our Business and Industry*

- We have a limited operating history in an evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.
- We currently have a limited customer base for our blockchain technical services and digital consultation services. If we were to lose any of our customers, or if the volume of business with such customers were to decrease, our Revenue from blockchain technical services and digital consultation services may be adversely affected.
- The further development and acceptance of blockchain technology and digital assets, which represent a new and rapidly changing industry, have several inherent risks that may impact our ability to provide the services currently under development and may adversely affect an investment in us.
- The growth of the blockchain industry in general, as well as the blockchain networks, is subject to a high degree of uncertainty.
- As we acquire, dispose of or restructure our businesses, product lines, and technologies, we may encounter unforeseen costs and difficulties that could adversely affect our financial performance.
- Domestic and international regulatory regimes governing blockchain technologies, digital assets, distribution and utilization of digital assets are still evolving and uncertain, and any changes in related regulations or policies may have adverse consequences on the development and value of certain digital assets.
- Blockchain technologies are subject to unfavorable regulatory actions in one or more jurisdictions.
- Any harm to our Mercurity brand or reputation may materially and adversely affect our business and results of operations.



- Former officers and directors of the Company, Wei Zhu and Minghao Li, have been detained by Chinese police, and as such our reputation may be adversely affected and our marketing effectiveness may decline.
- Our former officer and director, Wei Zhu, was in control of the Company's cryptocurrency assets and had physical control over the Company's cold wallet. Related to Wei's detention, we suspect that the PRC police has put a hold on the Company's cold wallet. If we do not recover our misplaced cold wallet in a timely and cost-efficient manner or at all, the Company may incur a significant loss of its cryptocurrencies.
- If we are unable to offer products or services that attract new customers and new purchases from existing customers, our business, financial condition and results of operations may be materially and adversely affected.
- We face intense competition in the blockchain industry.
- If we fail to adopt new technologies or adapt our digital asset platforms and systems to changing customer requirements or emerging industry standards, our business may be materially and adversely affected.
- The lack of regulation of digital asset exchanges on which Bitcoin and other cryptocurrencies are traded, may expose us to the effects of negative publicity resulting from fraudulent actors in the cryptocurrency space, and can adversely affect an investment in the Company.
- We have a history of operating losses, and we may report additional operating losses in the future.
- The successful operation of our business depends upon the performance and reliability of the internet and mobile telecommunications infrastructures in the US and the PRC.
- We may be unable to competitively engage in further distributed computing and storage services, digital consultation services and blockchain technical services activities, if we cannot attract or retain employees and/or consultants who have expertise in these fields.
- We may be unable to purchase adequate computer equipment to mine cryptocurrency at a competitive level due to global supply shortages.
- If we are unable to conduct adequate and cost-effective marketing activities, our results of operations and financial condition may be materially and adversely affected.
- If our senior management is unable to work together effectively or efficiently or if we lose their services, our business may be severely disrupted.
- We have limited insurance coverage and could incur losses resulting from liability claims or business interruptions.
- We might not be able to adequately protect our intellectual property rights.
- We may face intellectual property infringement claims or other related disputes, which could be time-consuming, costly to defend or settle and result in the loss of significant rights.
- We are subject to changing laws and regulations regarding regulatory matters, corporate governance and public disclosure that may increase both our operating costs and the risk of non-compliance.
- If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our shares may be adversely impacted.

- We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

***Risks Relating to Doing Business in China***

- Adverse changes in PRC regulation of internet businesses and companies could negatively impact our business in China.
- Uncertainties concerning the PRC legal system may adversely affect our business in China.
- You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in the PRC against us or our management named in the prospectus based on foreign laws.
- Regulation and censorship of information disseminated over the internet in the PRC could adversely affect our business in China, and we may be liable for any such information displayed on, retrieved from or linked to our website.
- Governmental control of currency conversion may affect the value of our shares.
- Fluctuations in exchange rates of the Renminbi may affect the results of the operations of our China subsidiaries.
- The operations of our China subsidiaries could be adversely affected by changes in the PRC's political, economic and social conditions.
- A failure by our shareholders or beneficial owners who are PRC citizens or residents in the PRC to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities or subject us to liability under PRC laws, which could adversely affect our business and financial condition.
- A failure to comply with PRC regulations regarding the registration of shares and share options held by our employees who are PRC citizens could subject such employees or us to fines and legal or administrative sanctions.
- The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.
- Increases in labor costs in the PRC may adversely affect our business and results of operations in China.
- It may be difficult for overseas regulators to conduct investigations or collect evidence within PRC.
- In light of recent events indicating greater oversight by the CAC over data security, we may be subject to a variety of PRC laws and other obligations regarding cybersecurity and data protection, and any failure to comply with applicable laws and obligations could have a material adverse effect on the business, financial condition, and results of operations of our China subsidiaries.
- The 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 the PRC.
- Failure to make adequate contributions to various employee benefits plans as required by PRC regulations may subject us to penalties.
- The newly enacted "Holding Foreign Companies Accountable Act" and "Accelerating Holding Foreign Companies Accountable Act" both call for additional and more stringent criteria to be applied to restrictive 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 the holding of our shares and if our auditors fail to permit the Public Company Accounting Oversight Board ("PCAOB") to inspect the auditing firm, our ordinary shares may be subject to delisting.

### ***Risks Relating to Our Ordinary Shares***

- The trading price of our shares could be volatile, which would result in substantial losses to investors.
- Substantial future sales of our shares in the public market, or the perception that these sales could occur, could cause our share price to decline.
- If we fail to maintain the Nasdaq minimum market value of publicly held shares, minimum bid requirements or minimum stockholder equity standard, our shares could be delisted.
- 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 U.S. domestic public companies.
- As a foreign private issuer, we are permitted to, and we plan to, rely on exemptions from certain Nasdaq corporate governance standards applicable to U.S. issuers, including the requirement that a majority of an issuer's directors consist of independent directors. This might afford less protection to holders of our shares.
- Anti-takeover provisions in our charter documents could discourage a third-party from acquiring us, which could limit our shareholders' opportunities to sell their shares at a premium.
- We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. law, you could have less protection of your shareholder rights than you would under U.S. law.
- Your ability to protect your rights as shareholders through the U.S. federal courts could be limited because we are incorporated under Cayman Islands law.
- You will have limited ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, because we are incorporated in the Cayman Islands, because we conduct parts of our operations in the PRC and Hong Kong and because some of our directors and officers reside outside the United States.
- Compliance with rules and requirements applicable to public companies could cause us to incur increased costs, which could negatively affect our results of operations.

### ***Risks Relating to Our Business and Industry***

***We have a limited operating history in the evolving blockchain industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.***

We disposed of our business of providing integrated B2B services to food service suppliers and customers in July 2019. We started to provide blockchain technical services in May 2019. We design and develop digital asset transaction platforms based on blockchain technologies for customers to facilitate crypto-asset trading, asset digitalization and provide supplemental services for such platforms, such as customized software development services, maintenance services and compliance support services, which is still a new business model, and we face consistent challenges to innovate our business and service model to serve our customers. Due to the extremely adverse regulatory measures taken by the Chinese government in 2021 in the field of digital currency production and transaction, we disposed of the Chinese companies of the blockchain technical services business controlled through VIE agreements in January, 2022. We commenced cryptocurrency mining operations in 2021 and expanded this line of business in the U.S. in December, 2022. We commenced digital consultation services in August, 2022, providing digital payment solutions, asset management, and a continued expansion into online and traditional brokerage services.

The limited history of our current operations in a rapidly evolving blockchain industry, may make it difficult for you to evaluate our business, financial performance and prospects, and our historical growth rate might not be indicative of our future performance. We cannot assure you that our current business will grow as rapidly as we expect or achieve the critical mass needed for long-term success. Given the limited history of our business model and the rapid and iterative developments in the blockchain technology sector, it may be difficult to predict if our expected business growth can be achieved in the future, and that the market might evolve in ways that are difficult to anticipate. You should consider our prospects considering risks and uncertainties that companies in a rapidly evolving market might encounter. These risks and difficulties include, but are not limited to:

- a new and relatively unproven business model;
- our ability to anticipate and adapt to a fast developing market and industry;
- market acceptance of our products and services;
- high expenditures associated with our technology upgrading, brand promotion and marketing activities;
- our ability to attract customers and business partners in the blockchain and digital asset industry to generate sufficient cash flows;
- Complexities in managing rapid expansion of personnel and operations; and
- our ability to compete in the fast-changing marketplace.

We cannot be certain that our business strategy will be successful or that we will successfully address these risks. Failure to address any of the risks described above could have an adverse effect on our business, financial condition and results of operations.

***We currently have a limited customer base for our blockchain technical services and digital consultation services. If we were to lose any of our customers, or if the volume of business with such customers were to decrease, our Revenue from blockchain technical services and digital consultation services may be adversely affected.***

Due to the extremely adverse regulatory measures taken by the Chinese government in 2021 in the field of digital currency production and transaction, we disposed of the Chinese companies of the blockchain technical services business controlled through VIE agreements, and the divestiture was completed on January 15, 2022. In late February 2022, Wei Zhu, our former acting Chief Financial Officer, former Co-Chief Executive Officer, and a former member and Co-Chairperson of the Board, and Minghao Li, a former member of the Board, were suspected of certain criminal offenses unrelated to our company's operations and were detained by the Economic Crime Investigation Detachment of Sheyang County Public Security Bureau, Yancheng City, Jiangsu Province, People's Republic of China, leading to our hardware cold wallet and all cryptocurrencies held by Wei Zhu being seized and impounded by the Public Security Bureau. Due to the dismantling of the VIEs and the cessation of all business related to blockchain technical services business, as well as the temporary difficulties brought to us by the incident that our cryptocurrencies were out of control, our original Chinese technical team left us in the first half of 2022, and we failed to rebuild the technical service team in the second half of 2022. As a result, our blockchain technical services business did not generate any revenue in 2022.

In July 2022, we added digital consultation services as one of our main businesses going forward, providing digital payment solutions, asset management, and a continued expansion into online and traditional brokerage services. We signed a Consulting Agreement with a Chinese media company, pursuant to which we will serve as an independent contractor in order to facilitate the client to conduct its initial public offering in August, 2022. As of December 31, 2022, we had only one customer of our consultation services business.

Due to our very limited customer base, any of the following events may cause a material decline in our revenue and have a material adverse effect on our results of operations:

- reductions, delays or cessation of purchases from the existing customers;

- loss of any of our existing customers and our inability to find new customers that can generate the same volume of business; and
- Any of the existing customer's failure to make timely payment for our services.

We cannot assure you that our relationships with these customers will continue to develop or that these customers will continue to generate material Revenue for us in the future.

***The further development and acceptance of blockchain technology and digital assets, which represent a new and rapidly changing industry, have several inherent risks that may impact our ability to provide the services currently under development and may adversely affect an investment in us.***

Blockchain technology and digital assets are subject to several inherent risks, including reliability risks, security risks, regulatory risks, and risks associated with human error, that may impact our ability to provide the services we are developing. For example, a blockchain-based platform's functionality depends on the internet, and a significant internet outage could disrupt a platform's operations until the outage is resolved; such outage may adversely affect the value of the digital assets traded on a platform. In addition, a hacking or service attack on a platform may cause temporary delays in block creation on the blockchain and in the transfer of digital assets recorded on the chain. Any disruptions, attacks or other security breaches, or the perception that our blockchain technology is unreliable for any reason, may have a material adverse effect on the value of the digital assets, investment in the digital assets and the operations and success of our business operations and financial results.

In addition, digital assets based on blockchain technology can only be transferred with the private key associated with a platform's address in which the digital assets are held. To the extent a private key is lost, destroyed, or otherwise compromised and no backup of the private key is accessible, we will be unable to transfer the digital assets held in a platform's addresses associated with that private key. Consequently, the digital assets associated with such address will effectively be lost, which would adversely affect an investment in digital assets.

We and our customers may be subject to the risks encountered by the digital asset exchanges we partner with, including malicious hacking, sale of a digital asset exchange, loss of the digital assets by the exchange, and other risks. Many digital asset exchanges do not provide insurance and may lack the resources to protect against hacking and theft. If a material amount of our digital assets or the digital assets of our customers are held by exchanges, we and our customers may be materially and adversely affected if an exchange suffers a cyberattack or incurs financial problems.

Furthermore, the recording of digital asset transactions is not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction or, in theory, control or consent of a majority of the processing power on a certain blockchain platform. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of digital assets or a theft of such digital assets generally will not be reversible. We, our customers and our partners may not be capable of seeking compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, digital assets could be transferred in incorrect amounts or to unauthorized third parties. To the extent that we, our customers or our partners are unable to seek a corrective transaction with such third party or are incapable of identifying the third party that has received the digital assets through error or theft, we, our customers or our partners will be unable to revert or otherwise recover incorrectly transferred digital assets. To the extent that we, our customers and our partners are unable to seek redress for such error or theft, such loss could adversely affect our reputation and our business.

***The growth of the blockchain industry in general, as well as the blockchain networks, is subject to a high degree of uncertainty.***

The factors affecting the further development of the blockchain and digital asset industry include uncertainties regarding:

- worldwide growth in the adoption and use of digital assets, and other blockchain technologies;
- government and quasi-government regulations of digital assets and other blockchain assets and their use, or restrictions on or regulation of access to and operation of blockchain networks or similar systems;

- the maintenance and development of the open-source software protocol of the blockchain networks;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, or trading assets including new means of using traditional currencies or existing networks;
- general economic conditions and the regulatory environment relating to digital assets; and
- the popularity or acceptance of blockchain-enabled transaction services.

Blockchain networks are based on software protocols that govern peer-to-peer interactions between computers connected to these networks. The suitability of the networks for our business, depends upon a variety of factors, including, but not limited to:

- the effectiveness of the informal groups of developers contributing to the protocols that underlie the networks;
- the effectiveness of the network validators (sometimes called "miners") and the network's consensus mechanisms to effectively secure the networks against confirmation of invalid transactions;
- disputes among the developers or validators of the networks;
- changes in the consensus or validation schemes that underlie the networks, including, without limitation, shifts between so-called "proof of work" and "proof of stake" schemes;
- the failure of cybersecurity controls or security breaches of the networks;
- the existence of other competing and operational versions of the networks, including, without limitation, so-called "forked" networks;
- the existence of undiscovered technical flaws in the networks;
- the development of new or existing hardware, software tools, or mechanisms that could negatively impact the functionality of the systems;
- the price of blockchain-based digital assets associated with the networks;
- intellectual property rights-based claims or other claims against the networks' participants; and
- the maturity of the computer software programming languages used in connection with the networks.

The digital assets industry as a whole has been characterized by rapid changes and innovations and are continually evolving. Although blockchain networks and blockchain-based digital assets have experienced significant growth in recent years, the slowing or stopping of the development, general acceptance and adoption and usage of these networks and assets may materially adversely affect our business plans and results of operations.

***As we acquire, dispose of or restructure our businesses, product lines, and technologies, we may encounter unforeseen costs and difficulties that could impair our financial performance.***

We actively explore acquisition prospects that would complement our existing services, augment our market coverage and distribution ability, or enhance our capabilities. As a result, we may seek to acquire certain companies, products, or technologies, or we may reduce or dispose of certain product lines or technologies that no longer fit our business strategies. For regulatory or other reasons, we may not be successful in our attempts to acquire or dispose of businesses, products, or technologies, resulting in significant financial costs, reduced or lost opportunities, and diversion of management's attention. Managing an acquired business, disposing of product technologies, or reducing personnel entails numerous operational and financial risks, including, among other things:

- difficulties in assimilating acquired operations and new personnel or separating existing business or product groups;
- diversion of management's attention away from other business concerns;
- amortization of acquired intangible assets;
- adverse customer reaction to our decision to cease support for a product; and
- potential loss of key employees or customers of acquired or disposed operations.

There can be no assurance that we will be able to achieve and manage successfully any such integration of potential acquisitions, disposition of product lines or technologies, or reduction in personnel or that our management, personnel, or systems will be adequate to support continued operations. Any such inabilities or inadequacies could have a material adverse effect on our business, operating results, or financial condition.

***Domestic and international regulatory regimes governing blockchain technologies, digital assets, distribution and utilization of digital assets are still evolving and uncertain, and any changes in related regulations or policies may have adverse consequences on the development and value of certain digital assets.***

Blockchain and distributed ledger platforms are recent technological innovations, and the regulatory schemes to which digital assets may be subject have not been fully explored or developed. Regulation of digital assets varies from country to country as well as within countries. In some cases, existing laws have been interpreted to apply to blockchain-based technologies and digital assets, and in other cases, jurisdictions have adopted laws, regulations or directives that specifically affect digital assets, and some jurisdictions have not taken any regulatory stance on digital assets and or have explicitly declined to apply regulation. Accordingly, there is no clear regulatory framework applicable to blockchain platforms or digital asset products, and laws that do apply at times may overlap or change. Regulations in these areas are likely to rapidly evolve as government agencies take regulatory actions to monitor companies and their activities with respect to these areas.

In September 2021, ten PRC governmental authorities, including the People's Bank of China ("PBOC"), jointly issued the "Notice on Further Preventing and Resolving the Risks of Virtual Currency Trading and Speculation" to clarify that cryptocurrency is not a legal tender in the PRC. Additionally, in September 2021, eleven governmental authorities, including the National Development and Reform Commission and the People's Bank of China jointly issued the "Notice of Rectifying Virtual Currency Mining Activities" to strictly prohibit the virtual currency mining activities in the PRC. As of the date of this annual report, all cryptocurrency transactions in the PRC are considered illegal, including offshore exchanges to provide services to Chinese citizens. In response to such rapid and adverse regulatory changes in the PRC, we had to remodel our business plans and shift the business focus outside of the PRC.

***Blockchain technologies are subject to unfavorable regulatory actions in one or more jurisdictions.***

Blockchain technologies and digital assets have been the subject of scrutiny by various regulatory bodies around the world. We could be impacted by one or more regulatory inquiries or actions, including but not limited to restrictions on the use of blockchain technology, trading of digital assets, and use of cryptocurrencies, which could impede or limit the development of our anticipated blockchain-based digital asset infrastructure solutions and adversely affect the results of our operations. If the regulatory authorities in the U.S. or Hong Kong impose stringent regulations on the blockchain-based activities, our current lines of business will likely be materially and adversely affected and our financial results would likely decline.

***Any harm to our Mercury brand or reputation may materially and adversely affect our business and results of operations.***

We believe that the recognition and reputation of our Mercury brand is critical to our business and competitiveness in the digital asset industry. Many factors, some of which are beyond our control, are important to maintaining and enhancing our brand. These factors include our ability to:

- enhance the quality and safety of our blockchain-based digital asset infrastructure solutions for our customers;
- maintain or improve customers' satisfaction with our trading platform products and related services;
- increase brand awareness through marketing and brand promotion activities; and
- preserve our reputation and goodwill in the event of any negative publicity on our platform products, internet security, data privacy, price, or other issues affecting us or the blockchain technology sector.

A public perception that we do not provide reliable digital asset infrastructure solutions or satisfactory services, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and have a negative impact on our ability to attract new customers or retain our current customers. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our website, products and services, it may be difficult to maintain and grow our customer base, and our business and growth prospects may be materially and adversely affected.

***Former officers and directors of the Company, Wei Zhu and Minghao Li, have been detained by the Police of China, and as such our reputation may be adversely affected and our marketing effectiveness may decline.***

It came to the Company's attention that both former officers and directors of the Company, Wei Zhu and Minghao Li, have been detained by PRC police since February 2022 in connection with potential charges unrelated to their positions or activities as officers and directors of the Company. As a result, the Company, current directors and officers of the Company have been unable to get in touch with either former director directly and have experienced difficulty in maintaining the existing customers and transitioning our business operations. Therefore, our reputation may suffer due to the detentions of the former officers and directors and we may face a decline in our results of operations and our ability to market and sell our products and services.

***Our former officer and director, Wei Zhu, was in control of the Company's cryptocurrency who had physical control over the Company's cold wallet. Related to Wei's detention, we suspect that the PRC police put a hold on the Company's cold wallet. If we do not recover our misplaced cold wallet in a timely and cost-efficient manner or at all, the Company may incur a significant loss of the cryptocurrencies.***

It came to our attention that former officers and directors of the Company, Wei Zhu and Minghao Li were detained by PRC police around February 2022 (the "Police Matters"). The Company stored 125,858,479 Bitcoins ("BTCs") and 2,005,537.50 USD Coins ("USDCs") at the online addresses which were maintained in the hardware cold wallet formerly kept by Mr. Wei Zhu, the Company's then co-CEO and acting CFO. Mr. Wei Zhu was responsible for safeguarding the hardware cold wallet for the Company while the Company has put in place the cryptocurrency management and control procedures pursuant to which any transfer of the Company's cryptocurrency requires the approval of the Company's audit committee.



We suspect that in connection with the Police Matters, the PRC police put a hold on the Company's cold wallet. We have engaged Deheng Law Firm as our PRC counsel to recover such cold wallet and the cryptocurrency therein. If we do not recover our cold wallet in a timely and cost-efficient manner or at all, the Company may incur a significant loss of the cryptocurrencies. The book value on December 31, 2022 of the Bitcoins and USD Coins stored in the out-of-control wallets was \$4,433,817.

***If we are unable to offer products or services that attract new customers and generate new purchases from existing customers, our business, financial condition and results of operations may be materially and adversely affected.***

The blockchain and digital asset industry is 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 ability to maintain current customers and attract new customers will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. We need to anticipate the emergence of new technologies and assess their market acceptance. However, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research and development results, which could result in excessive research and development expenses or delays. Given the fast pace in which blockchain technologies have been and will continue to be developed, we may not be able to upgrade our technologies in a timely efficient and cost-effective manner, or at all.

We also need to invest significant resources in selling and marketing efforts. We take targeted business development approaches to reach out to our potential customers and provide them with our company profile through various means, such as emails and social network media. We also attend offline marketing activities to promote our presence and brand recognition in the blockchain and digital asset industry. To continue to reach potential customers and grow our current business, we must identify and devote more of our marketing expenditures to new and evolving marketing channels, which may include mobile and virtual channels. The opportunities in and sophistication of newer marketing channels generally are relatively undeveloped and unproven, making it difficult to assess returns on investment associated with such channels, and there can be no assurance that we will be able to continue to appropriately manage and fine-tune our marketing efforts in response to these and other trends in the industry. Any failure to do so could have a material adverse effect on our business, reputation, results of operations and financial condition.

***We face intense competition in the blockchain industry.***

As we transition to the blockchain technical services and cryptocurrency mining business, we will continue to face intense competition globally. New blockchain-based technologies are constantly evolving, and our competitors may introduce new crypto asset trading platforms and solutions that are superior to ours. In addition, our competitors may be able to adapt more quickly to new technologies or may be able to devote greater resources to the development, marketing and sale of their products than we can. We may never establish and maintain a competitive position in the hybrid financing and logistics management businesses.

Some of our current or future competitors have or may have longer operating histories, stronger research and development capabilities, greater brand recognition, larger customer bases or greater financial, technical or marketing resources than we do. Smaller companies or new entrants may be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors which would help enhance their competitive positions. We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

***If we fail to adopt new technologies or adapt our digital asset platforms and systems to changing customer requirements or emerging industry standards, our business may be materially and adversely affected.***

To remain competitive, we must be able to develop new products or enhance the capabilities related to blockchain technology that we are developing to keep pace with our industry's rapidly changing technology and customer requirements. However, the industry for blockchain technology has been characterized by rapid technological changes, new product introductions, enhancements, and evolving industry standards. Our business prospects depend on our ability to develop new products and applications for our technology in new markets that develop resulting from technological and scientific advances, while improving performance and cost-effectiveness. New technologies, techniques or products could emerge that might offer better combinations of price and performance than the blockchain technology solutions that are being developed by us. We must anticipate changes in technology and market demand. If we do not successfully innovate and introduce new technology into our anticipated technology solutions or effectively manage the transitions of our technology to new product and service offerings, our business, financial condition and results of operations could be adversely affected.

***The lack of regulation of digital asset exchanges on which Bitcoin and other cryptocurrencies are traded, may expose us to the effects of negative publicity resulting from fraudulent actors in the cryptocurrency space, and can adversely affect an investment in the Company.***

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

These events are continuing to develop and it is not possible to predict, at this time, every risk that they may pose to us, our customers, or the digital asset industry as a whole. A perceived lack of stability in the digital asset exchange market and the closure or temporary shutdown of digital asset exchanges due to business failure, hackers or malware, government-mandated regulation, or fraud, may reduce confidence in digital asset networks and result in greater volatility in cryptocurrency values. These potential consequences of a digital asset exchange's failure could adversely affect an investment in us.

***We have a history of operating losses, and we may report additional operating losses in the future.***

Since October 2021, cryptocurrency mining has become one of our major businesses, and we have recorded historical losses and negative cash flow from our operations of Bitcoin mining business when the value of Bitcoin we mine does not exceed our associated costs. Further, as part of our strategic growth plans, we have made capital investments in expanding and vertically integrating our Mining operations, including the expansion of our mining machines and increased our employee base. However, future market prices of Bitcoin are difficult to predict, and we cannot guarantee that our future mining revenue will exceed our associated costs.

***The successful operation of our business depends upon the performance and reliability of the internet and mobile telecommunications infrastructures in the US and the PRC.***

Our business depends on the performance and reliability of the internet and mobile telecommunications infrastructures in the United States and the PRC. In particular to telecommunication infrastructures in China, almost all access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology of China. In addition, the national networks in the PRC are connected to the internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the internet outside of the PRC. We might not have access to alternative networks in the event of disruptions, failures or other problems with the PRC's internet infrastructure. In addition, the internet infrastructure in the PRC might not support the demands associated with continued growth in internet usage.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our online platforms. We have no control over the costs of the services provided by the national telecommunications operators. If the prices that we pay for telecommunications and internet services rise significantly, or if the telecommunication network in the PRC is disrupted or fails, our gross margins could be adversely affected. Technical limitations on internet use could also be constituted or implemented. For example, restrictions could be implemented on personal internet use in the workplace in general or access to our website in particular. This could lead to a reduction of customers' activities or a loss of customers altogether, which in turn could have an adverse effect on our financial position and results of operations. In addition, if internet access fees or other charges to internet users increase, our user traffic might decrease, which in turn could significantly decrease our Revenue.

***We may be unable to competitively engage in further distributed computing and storage services, digital consultation services and blockchain technical services activities, if we cannot attract or retain employees and/or consultants who have expertise in these fields.***

If we cannot attract or retain skilled employees and/or consultants in the distributed computing and storage services, digital consultation services and blockchain technical services business, our business may suffer. Because our above businesses requires expertise, our business may be materially and adversely affected if our current employees and consultants who have expertise in the business leave or if we cannot continue to attract employees and consultants with expertise in the field of distributed computing and storage services, digital consultation services and blockchain technical services.

***We may be unable to purchase adequate computer equipment to mine cryptocurrency at a competitive level due to global supply shortages.***

Mining cryptocurrency requires running high-end computers which process complex algorithms to add to the blockchain. Because mining cryptocurrency requires large amounts of computer processing power, there is a worldwide shortage of computer components that can mine cryptocurrency efficiently. There is a worldwide shortage of high-end graphics cards which can be enabled to function as computer processors for mining cryptocurrency. Further, other types of computer components, which can be used for mining, are in short supply. As more individuals enter the mining business the demand for components rises. Additionally, as more miners engage in mining the ability to successfully mine cryptocurrency requires more powerful components. If we are unable to obtain adequate components to mine cryptocurrency we will be unable to engage in mining. As such, we may be unable to acquire the components we need to successfully mine cryptocurrency which could adversely impact the price of our shares.

***If we are unable to conduct adequate and cost-effective marketing activities, our results of operations and financial condition may be materially and adversely affected.***

Historically, we have incurred a considerable number of expenses on a variety of different marketing and brand promotion efforts to enhance our brand recognition and increase sales of our services and products for our previous B2B business. We have a limited operating history of our current business and may need to make significant investments in sales and marketing to promote our brand recognition. Our brand promotion and marketing activities may not be well received by customers and may not result in the levels of sales that we anticipate. The marketing of blockchain-based solutions services to customers is evolving. This further requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches cost-effectively could reduce our market share, cause our Revenue to decline and negatively impact our profitability.

***If our senior management is unable to work together effectively or efficiently or if we lose their services, our business may be severely disrupted.***

Our success heavily depends upon the continued services of our management.

In early May 2022, the Company restructured its executive team after the absence and later resignation of Wei Zhu, the Company's former co-chief executive officer and acting chief financial officer and the Company's board of directors had a significant change in 2022. Currently, we rely on the expertise and experience of Mr. Shi Qiu, our chief executive officer, Ms. Qian Sun, our chief operating officer, and Mr. Yukuan Zhang, our chief financial officer, and our other executive officers. If our senior management cannot work together effectively or efficiently, our business may be severely disrupted. If one or more of our senior management were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all, and our business, financial condition and results of operations may be materially and adversely affected. If any of our senior management joins a competitor or forms a competing business, we may lose customers, internal expertise and key professionals and staff members.

***We have limited insurance coverage and could incur losses resulting from liability claims or business interruptions.***

We currently do not have any product liability insurance or business interruption insurance. As we continue to expand our business, we could be increasingly exposed to various liability claims related to our products and services. Any liability claims, business disruption, or natural disaster could result in substantial costs and the diversion of resources, which would have an adverse effect on our business and results of operations.

***We might not be able to adequately protect our intellectual property rights.***

We believe our domain name, technology know-how and other intellectual properties are important to our business and our future prospects. We have been investing resources to develop our own intellectual properties and we take prudent steps to protect our intellectual properties and know-how. But we cannot assure you such steps would be sufficient to prevent the infringement of our intellectual properties. If we fail to adequately protect our intellectual property rights, including our rights in know-how or our trademark, it could have an adverse effect on our operations.

We will utilize our Hong Kong and China subsidiaries as the operating entities of blockchain technical services business and digital consultation services business in the Asia-Pacific region in the future. The validity, enforceability and scope of protection available under intellectual property laws with concerning the internet industry in the PRC are uncertain and still evolving. Implementation and enforcement of PRC intellectual property-related laws have historically been deficient and ineffective. Accordingly, protection of intellectual property rights in the PRC might not be as effective as in the United States or other western countries. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive, and we might need to resort to litigation to enforce or defend our intellectual property rights or to determine the enforceability, scope and validity of our proprietary rights or those of others. Such litigation and an adverse determination in any such litigation, if any, could result in substantial costs and the diversion of resources and management's attention.

Companies in the internet and technology industries are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition and other violations of third parties' rights. From time to time, we could face allegations of trademark, copyright, patent and other intellectual property rights infringement by third parties. Such allegations of intellectual property rights infringements could come from our competitors and there could also be allegations that we are involved in unfair trade practices.

***We may face intellectual property infringement claims or other related disputes, which could be time-consuming, costly to defend or settle and result in the loss of significant rights.***

We may be subject to infringement claims from time to time or otherwise become aware of potentially relevant patents or other intellectual property rights held by other parties that may cover some of our technologies, products and services. We may enter into licensing agreements with third parties for the use of their proprietary technologies, primarily software development tools, in developing our products and services in the future. As with any business relationship, we may face disputes and lawsuits related to those intellectual property licensing agreements. As our operations grow, the likelihood of us becoming involved in intellectual property related lawsuits and disputes to protect or defend our intellectual property rights and the use of third-party intellectual property rights may increase.

Third parties may file claims against us or our customers alleging that our products, processes, or technologies infringe third-party intellectual property rights. Regardless of their merits or resolutions, such claims could be costly to defend or settle and could divert the efforts and attention of our management and technical personnel. We do not know whether we could prevail in any such proceeding given the complex technical issues and inherent uncertainties involved in intellectual property litigations. Any unfavorable results we may receive in such proceedings could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to changing laws and regulations regarding regulatory matters, corporate governance and public disclosure that may increase both our operating costs and the risk of non-compliance.***

We are subject to rules and regulations by various governing bodies, including, among others, the U.S. Securities and Exchange Commission (the "SEC"), which is charged with the protection of investors and the oversight of companies whose securities are publicly traded, and the various regulatory authorities in the PRC and the Cayman Islands, and subject to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and our business may be harmed.

***If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our shares may be adversely impacted.***

The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring most public companies to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, when a company meets the SEC's criteria, an independent registered public accounting firm must report on the effectiveness of the company's internal control over financial reporting.

Our management has concluded that our internal control over financial reporting as of December 31, 2022 was effective. However, if we fail to maintain effective internal controls over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal controls over financial reporting at a reasonable assurance level. This could result in a loss of investor confidence in the reliability of our financial conditions which in turn could negatively impact the trading price of our shares and result in lawsuits being filed against us by our shareholders or otherwise harm our reputation. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

***We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.***

Our business could be materially and adversely affected by natural disasters or the outbreak of COVID 19, avian influenza, severe acute respiratory syndrome, or SARS, influenza A (H1N1), Ebola or another epidemic. Any such occurrences could cause severe disruption to our daily operations, including our fulfillment infrastructure and our customer service center, and may even require a temporary closure of our facilities. Earthquakes or other similar disasters affecting cities where we have major operations in PRC, Singapore and the U.S. could materially and adversely affect our operations due to loss of personnel and damages to property, including our inventory and our technology systems. Our operation could also be severely disrupted if our suppliers, customers or business partners were affected by health epidemics or other natural disasters.

#### **Risks Relating to Doing Business in the PRC**

***Adverse changes in PRC regulation of internet businesses and companies could negatively impact our business in China.***

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

- new laws and regulations could be promulgated that will regulate internet activities. If these new laws and regulations are promulgated, additional licenses could be required for the operations of our China subsidiaries. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties; and
- we operate in the blockchain and digital asset industry that is characterized by constant changes, including rapid technological evolution, continual shifts in customer demands, frequent introductions of new technologies and new industry standards and practices, which could result in new laws and regulations. Currently, the laws and regulations relating to blockchain technologies are not established and detailed enough in China and other jurisdictions. As a result, we are subject to legal and regulatory uncertainties.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including the business of our China subsidiaries. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain any new licenses required under any new laws or regulations. There are also risks that we could be found to violate the existing or future laws and regulations given the uncertainty and complexity of China's regulation of internet businesses.

***Uncertainties concerning the PRC legal system may adversely affect our business in China.***

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions in a civil law system may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always consistent, and enforcement of these laws, regulations and rules involves uncertainties, which could limit the available legal protections.

In addition, the PRC administrative and court authorities have significant discretion in interpreting and implementing or enforcing statutory rules and contractual terms, and it could be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we could enjoy in the PRC than under some more developed legal systems. These uncertainties could affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith, and could affect our ability to enforce our contractual or tort rights. Such uncertainties could therefore increase our operating costs and expenses as well as adversely affect the business and results of operations of our China subsidiaries.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and could have a retroactive effect. As a result, we might not be aware of our violation of any of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could adversely affect our business and impede our ability to continue our operations in China.

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

We are an exempted company incorporated under the laws of the Cayman Islands. Many of our officers and directors reside within the PRC for a significant portion of the time and some of them are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or those persons inside the PRC. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would (i) recognize or enforce judgments of U.S. courts against us or our directors or officers that are predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (ii) entertain original actions brought in the Cayman Islands against us or our directors or officers that are predicated upon the federal securities laws of the United States or the securities laws of any state in the United States.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and other applicable laws, regulations and interpretations based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or the public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

***Regulation and censorship of information disseminated over the internet in the PRC could adversely affect our business in China, and we could be liable for information displayed on, retrieved from or linked to our website.***

China has enacted laws and regulations governing internet access and the distribution of products, services, news, information and other content through the internet. In the past, the PRC government has prohibited the distribution of information through the internet that it deems to violate PRC laws and regulations. If any of our internet content was deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could adversely affect the business, financial condition and results of operations of our China subsidiaries. We could also be subject to potential liability for any unlawful actions of users of our website or for the content we distribute that is deemed inappropriate. It could be difficult to determine the type of content that could result in liability to us, and if we are found to be liable, we could be prevented from operating our website in China.

***Governmental control of currency conversion could affect the value of our shares.***

The PRC government imposes controls on the convertibility between the Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Substantially all of our Revenue are denominated in Renminbi. Under our current holding company corporate structure, our income is primarily derived from dividend payments from our PRC subsidiary. Shortages in the availability of foreign currency or other restrictions could restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we might not be able to pay dividends in foreign currencies to our shareholders, including holders of our shares.

***Fluctuations in exchange rates of the Renminbi may affect the results of the operations of our China subsidiaries.***

The value of the RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or the PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

If we rely on dividends and other fees paid to us by our subsidiary and affiliated consolidated entities in China in the future, any significant revaluation of the Renminbi could adversely affect our cash flows, Revenue, earnings and financial position, and the value of, and any dividends payable on, our ordinary shares in U.S. dollars. To the extent that we need to convert U.S. dollars we received from our financing into Renminbi for the operations of our China subsidiaries, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. In addition, since our functional and reporting currency is the U.S. dollar while the functional currency of our subsidiary and consolidated affiliated entities in China is Renminbi, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would have a positive or negative effect on our reported financial results, which might not reflect any underlying change in our business, financial condition or results of operations.

***The operations of our China subsidiaries could be adversely affected by changes in the PRC's political, economic and social conditions.***

The business, financial condition, results of operations and prospects of our China subsidiaries could be influenced to a significant degree by political, economic and social conditions in the PRC generally and by continued economic growth in the PRC as a whole. In addition, the increased global focus on social, ethical and environmental issues may lead to the PRC's adoption of more stringent standards in these areas, which may adversely impact the operations of our China subsidiaries.

The Chinese economy differs from the economies of most developed countries in many respects, including the level 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 the PRC is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over the PRC's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.



While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures might benefit the overall Chinese economy but could have a negative effect on us. For example, the financial condition and results of operations of our China subsidiaries could be adversely affected by government control over capital investments or changes in tax regulations. In the past the PRC government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures could cause decreased economic activity in the PRC, which could adversely affect the business and operating results of our China subsidiaries. Any significant increase in the PRC's inflation rate could increase our costs and have an adverse effect on our operating margins. In addition, any sudden changes to the PRC's political system or the occurrence of widespread social unrest could have negative effects on the business and results of operations of our China subsidiaries.

***A failure by our shareholders or beneficial owners who are PRC citizens or residents in the PRC to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities or subject us to liability under PRC laws, which could adversely affect our business and financial condition.***

The State Administration of Foreign Exchange, or SAFE, issued the Circular Relating to Foreign Exchange Administration of Offshore Investment, Financing and Return Investment by Domestic Residents Utilizing Special Purpose Vehicles, or SAFE Circular 37, that was promulgated and became effective on July 14, 2014. It requires a PRC natural person or a PRC company, or a PRC Resident, to file a "Registration Form of Overseas Investments Contributed by PRC Resident" and register with the local SAFE branch before it contributes assets or equity interests in an overseas special purpose vehicle, or SPV, that is directly established and controlled by PRC Resident to conduct investment or financing. Following the initial registration, the PRC resident is also required to register with the local SAFE branch timely for any major change in respect of SPV, including, among other things, any major change of SPV's PRC Resident shareholder, name of the SPV, term of operation or any increase or reduction of the SPV's registered capital, share transfer or swap, and merger or division. Failure to comply with the registration procedures of Circular 37 could result in the penalties including the imposition of restrictions on the ability of SPV's PRC subsidiaries to dividends to its overseas parent company.

It remains unclear how this regulation and any future related legislation will be interpreted, amended and implemented by the relevant PRC government authorities. As of December 31, 2022, to the best of our knowledge, most of our PRC Resident shareholders with offshore investments had not registered their offshore investments with SAFE according to the predecessor regulation of Circular 37, namely the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75, which was replaced by the SAFE Circular 37 but still effective when the relevant PRC shareholders made their investments. If the PRC government determined that our PRC Resident shareholders are required to make the registration regarding their offshore investment under Circular 37, both they and us may be subject to fines by the PRC government.

We are committed to complying, and to ensuring that our shareholders and beneficial owners who are PRC citizens or residents comply with SAFE Circular 37 requirements. The rest of our PRC citizen or resident beneficial owners are also applying for registrations under SAFE Circular 37 with the relevant local counterpart of SAFE. However, we might not be fully informed of the identities of all our beneficial owners who are PRC citizens or residents, and we cannot compel our beneficial owners to comply with SAFE Circular 37 requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC citizens or residents have complied with, or will in the future make or obtain the necessary any applicable registrations or approvals as required by, SAFE Circular 37 or other related regulations. Failure by such shareholders or beneficial owners to comply with SAFE Circular 37, or failure by us to amend the foreign exchange registrations of our PRC subsidiary, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects. Failure by us to amend the foreign exchange registrations in compliance with SAFE Circular 37 could subject us to fines or legal sanctions restrict our overseas or cross-border ownership structure, which could adversely affect our business and prospects.



***A failure to comply with PRC regulations regarding the registration of shares and share options held by our employees who are PRC citizens could subject such employees or us to fines and legal or administrative sanctions.***

Pursuant to the Implementation Rules of the Administrative Measures on Individual Foreign Exchange, or the Individual Foreign Exchange Rules, promulgated by SAFE on January 5, 2007 and amended on May 2016, a relevant guidance issued by SAFE in March 2007 and Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, or the Stock Option Rules, on February 15, 2012 that replaces the guidance issued in March 2007, PRC citizens who are granted shares or share options by an overseas-listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas-listed company or other qualified PRC agents selected by such PRC subsidiary, to register with SAFE and complete certain other procedures related to the share option or other share incentive plan. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. For participants who had already participated in an employee share option or share incentive plan before the date of the guidance, the guidance requires their PRC employers or PRC agents to complete the relevant formalities within three months of the date of the guidance. We and our PRC citizen employees who have been granted share options, or PRC option holders, are subject to these rules. If we or our PRC option holders fail to comply with these rules, we or our PRC option holders could be subject to fines and legal or administrative sanctions.

***The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.***

The State Administration of Taxation has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Certain Corporate Income Tax Matters Related to Indirect Transfer of Properties by Non-PRC Resident Enterprises issued in February 2015, or SAT Circular 7. Pursuant to SAT Circular 7, except for a few circumstances falling into the scope of the safe harbor provided by SAT Circular 7, such as open market trading of shares in public companies listed overseas, if a non-PRC resident enterprise indirectly transfers PRC taxable properties (i.e. properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise) by disposing of equity interest or other similar rights in an overseas holding company, without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose, such as whether the main value of equity interest in an overseas holding company is derived directly or indirectly from PRC taxable properties. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law without considering other factors set out by SAT Circular 7: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. Further, SAT Circular 7 embodies a voluntary reporting regime, and both the foreign transferor and the transferee, and the PRC tax resident enterprise whose equity interests are being transferred may voluntarily report the transfer by submitting the documents required in SAT Circular 7.

Although SAT Circular 7 provides clarity in many important areas, such as reasonable commercial purpose, there are still uncertainties on the tax reporting and payment obligations concerning future private equity financing transactions, share exchange or other transactions involving the transfer of shares in non-PRC resident companies. Our company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises in our group are transferees in such transactions. For the transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. As a result, we may be required to expend valuable resources to comply with these rules and notices or to request the relevant transferors from whom we purchase taxable assets to comply, or to establish that our company and other non-resident enterprises in our group should not be taxed under these rules and notices, which may have a material adverse effect on our financial condition and results of operations.

We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to assist in the investigation of PRC tax authorities with respect thereto. We acquired Join Me Group (HK) Investment Company Limited, or JMU HK, in June 2015 and divested our B2C business in September 2015. We acquired Unicom Investment Limited and its subsidiaries and a VIE in May 2019 and acquired NBpay Investment Limited and its subsidiaries and a VIE in March 2020, all of which are developers of asset transaction platform products based on blockchain technologies, and sold all of its equity interests in New Admiral Limited, a subsidiary of the Company, together with all of its subsidiaries and consolidated VIEs and their respective subsidiaries (collectively, the "Food Supply Chain Entities"), which were engaged in the Company's food supply chain business, in July 2019. We disposed of the Chinese companies of the asset transaction platform developing business controlled through VIE agreements in January 2022 due to the extremely adverse regulatory measures taken by the Chinese government in 2021 in the field of digital currency production and transaction. We may pursue acquisitions in China in the future that may involve complex corporate structures. If we are considered a non-resident enterprise under the PRC Enterprise Income Tax Law and if the PRC tax authorities make adjustments to the taxable income of these transactions under SAT Circular 7, our income tax expenses associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

***Increases in labor costs in the PRC may adversely affect our business and the results of operations in China.***

The economy of China has been experiencing increases in inflation and labor costs in recent years. As a result, the average wages in the PRC are expected to continue to grow. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and those employers who fail to make adequate payments could be subject to late payment fees, fines and/or other penalties. If the relevant PRC authorities determine that we should make supplemental social insurance and housing fund contributions and that we are subject to fines and legal sanctions, our business, financial condition and results of operations could be adversely affected. We expect that our labor costs, including wages and employee benefits, would continue to increase. Unless we can pass on these increased labor costs to our customers by increasing the prices of our products and services, our financial condition and results of operations could be adversely affected.

***It may be difficult for overseas regulators to conduct investigations or collect evidence within the PRC.***

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in the PRC. For example, in the PRC, there are significant legal and other obstacles to providing the information needed for regulatory investigations or litigation initiated outside the PRC. Although the authorities in the PRC may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanisms. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretations of or implementation rules under Article 177 are yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase the difficulties you may face in protecting your interests.

***In light of recent events indicating greater oversight by the CAC over data security, we may be subject to a variety of PRC laws and other obligations regarding cybersecurity and data protection, and any failure to comply with applicable laws and obligations could have a material adverse effect on our business, financial condition, and results of operations.***

The regulatory requirements with respect to cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations, and significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. Failure to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, may subject us to government enforcement actions and investigations, fines, penalties, suspension or disruption of our operations, among other things. The Cybersecurity Law, which was adopted by the National People's Congress on November 7, 2016 and came into force on June 1, 2017, provide that personal information and important data collected and generated by a critical information infrastructure operator (the "CIIO") in the course of its operations in the PRC must be stored in the PRC, and the Cybersecurity Review Measures which became effective on February 15, 2022, provided that if a critical information infrastructure operator purchases internet products and services that affect or may affect national security, it should be subject to cybersecurity review by the CAC. The Measures of Cybersecurity Review also requires that critical information infrastructure operators and services and data processing operators that possess personal data of at least one (1) million users must apply for a review by the Cybersecurity Review Office of the PRC, if they plan to conduct securities listings on foreign exchanges. On June 10, 2021, the Standing Committee of the National People's Congress promulgated the Data Security Law, which took effect on September 1, 2021. The Data Security Law requires that data shall not be collected by theft or other illegal means, and also provides for a data classification and hierarchical protection system. The data classification and hierarchical protection system puts data into different groups according to its importance in economic and social development, and the damages it may cause to national security, public interests, or the legitimate rights and interests of individuals and organizations in case the data is falsified, damaged, disclosed, illegally obtained or illegally used. Due to the lack of further interpretations, the exact scope of what constitute a "CIIO" remains unclear. Further, the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws. It also remains uncertain whether any future regulatory changes would impose additional restrictions on companies like ours.

However, it remains uncertain as to how the Cybersecurity Review Measures will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures. If any such new laws, regulations, rules, or implementation and interpretation come into effect, we expect to take all reasonable measures and actions to comply therewith. However, we cannot assure you that PRC regulatory agencies, including the CAC, would take the same view as we do, and we will not be subject to the cybersecurity review by the CAC or designated as a CIIO. We may experience disruptions to its operations should it be required to have a cybersecurity review by the CAC. Any cybersecurity review could also result in uncertainty to our trading, negative impacts on our share trading prices, and diversion of our managerial and financial resources.

***The 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 the PRC.***

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, 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 the anti-monopoly law enforcement agency be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise.

For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the PRC Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress effective 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within the PRC, or (ii) the total turnover within the PRC of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be cleared by the anti-monopoly enforcement authority before they can be completed. In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors, effective 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. Under the foregoing MOFCOM regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the National Development and Reform Commission, and MOFCOM under the leadership of the State Council, to carry out security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the internet content business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to MOFCOM review.

In the future, we may grow our business by acquiring complementary businesses in China, Hong Kong, and the United States. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions in China could be time consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. We believe that it is unlikely that our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited.

***Failure to make adequate contributions to various employee benefits plans as required by PRC regulations may subject us to penalties.***

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare payment obligations, and contribute to the plans in such amounts in relation to their employees' salaries, as specified by the local government where the business operations are. Such requirement to contribute to employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Historically, we did not complete the relevant employee benefit plan registrations for some of our employees in China, and the social insurance and housing fund contributions we paid for certain of our employees may be found inadequate under PRC law. As of the date of this prospectus, we have not received any notice of warning or been subject to any administrative penalties or other disciplinary actions from the relevant governmental authorities for our historical shortfall in social insurance and housing fund contribution. However, we cannot assure you that local authorities will not impose penalties or other administrative actions on us for our historical noncompliance. If local authorities determine that we failed to make adequate contributions to any employee benefits as required by relevant PRC regulations in the future, we may be subject to penalties and fines and/or catch-up contributions to certain employee benefit plans. A large lump sum payment obligation due to certain labor law violations will likely negatively affect our financial condition and results of operations.

***The newly enacted "Holding Foreign Companies Accountable Act" and "Accelerating Holding Foreign Companies Accountable Act" both call for additional and more stringent criteria to be applied to restrictive 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 the holding of our shares and if our auditors fail to permit the Public Company Accounting Oversight Board ("PCAOB") to inspect the auditing firm, our ordinary shares may be subject to delisting.***

On April 21, 2020, the SEC and the PCAOB released a joint statement highlighting the risks associated with investing in companies based in or having substantial operations in certain "restrictive markets," including China. The joint statement emphasized the risks associated with lack of access from the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in the markets where the PCAOB has limited access to the local auditing firms and their work.

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 of companies in the restrictive markets, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company's auditor.

On December 18, 2020, the "Holding Foreign Companies Accountable Act" was signed by President Donald Trump and became law. This legislation requires certain issuers to establish that they are not owned or controlled by a foreign government. Specifically, an issuer must make this certification if the PCAOB is unable to audit specified reports because the issuer has retained a foreign public accounting firm that is not subject to inspection by the PCAOB. Furthermore, if the PCAOB is unable to inspect the issuer's public accounting firm for three consecutive years, the issuer's securities are banned from trading on a national stock exchange.

On September 22, 2021, the PCAOB adopted a final rule implementing the HFCAA, which became law in December 2020. In June 2021, the Senate passed the AHFCAA, which was signed into law on December 29, 2022, reducing the time period for the delisting of foreign companies under the HFCAA to two consecutive years, instead of three years.

On August 26, 2022, the SEC issued a statement announcing that the PCAOB signed a Statement of Protocol with the CSRC and the Ministry of Finance of the People's Republic of China governing inspections and investigations of audit firms based in China and Hong Kong, jointly agreeing on the need for a framework.

On December 15, 2022, the PCAOB announced that it has secured complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate the previous 2021 Determination Report to the contrary. Notwithstanding the foregoing, in the future, if there is any regulatory change or step taken by PRC regulators that does not permit our auditor to provide audit documentations located in China to the PCAOB for inspection or investigation, PCAOB may consider the need to issue new determinations consistent with the HFCAA and Rule 6100.

Our auditor, Onestop Assurance PAC, is an independent public accounting firm registered with the PCAOB and is subject to laws in the U.S. pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor has been inspected by the PCAOB on a regular basis. However, the above recent developments may have added uncertainties, to which Nasdaq may apply additional and more stringent criteria with respect to our auditor's audit and quality control procedures, adequacy of personnel and training, sufficiency of resources, geographic reach, and experience as related to their audits. If our independent registered public accounting firm fails to permit PCAOB to inspect its firm, our ordinary shares may be subject to delisting by the stock exchange where such ordinary shares will be listed.

#### **Risks Relating to Our Ordinary Shares**

***The trading price of our shares could be volatile, which would result in substantial losses to investors.***

The trading price of our ordinary shares could be volatile and could fluctuate widely in response to factors relating to our business as well as external factors beyond our control. Factors such as variations in our financial results, announcements of new business initiatives by us or by our competitors, recruitment or departure of key personnel, changes in the estimates of our financial results or changes in the recommendations of any securities analysts electing to follow our securities or the securities of our competitors could cause the market price for our shares to change substantially. At the same time, securities markets could from time-to-time experience significant price and volume fluctuations that are not related to the operating performance of particular companies, as they did for example in late 2008 and early 2009.

The performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in the United States could affect the volatility in the price of and trading volumes for our shares. In recent years, several PRC companies have listed their securities, or are in the process of preparing for listing their securities, on U.S. stock markets. Some of these companies have experienced significant volatility, including significant price declines in connection with their initial public offerings. The trading performances of these PRC companies' securities at the time of or after their offerings could affect the overall investor sentiment towards PRC companies listed in the United States and consequently could affect the trading performance of our shares. These broad market and industry factors could significantly affect the market price and volatility of our shares, regardless of our actual operating performance. Any of these factors could result in large and sudden changes in the trading volume and price for our shares.

***Substantial future sales of our shares in the public market, or the perception that these sales could occur, could cause our ordinary share price to decline.***

Additional sales of our ordinary shares in the public market, or the perception that these sales could occur, could cause the market price of our shares to decline. As of February 28, 2023, we completed the share consolidation to the authorized share capital (the "Share Consolidation") at a ratio of four hundred (400)-for-one (1) with the par value of each ordinary share changed to US\$0.004 per ordinary share, suspended our ADRs program and commenced trading our ordinary shares. As of April 5, 2023, we had 46,538,116 ordinary shares issued and outstanding. If part or all of these shares are sold in the public market or if any other existing shareholders sell a substantial amount of their shares, the prevailing market price for our shares could be adversely affected. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

***If we fail to maintain the Nasdaq minimum market value of publicly held shares, minimum bid requirements or minimum stockholder equity standard, our shares could face the risk of being delisted.***

According to the Nasdaq listing standards, if the market value of publicly held shares falls below US\$1 million for 30 consecutive business days, such company's securities may be subject to delisting from Nasdaq Capital Market, unless such failure is cured within the grace period the company is eligible to, from the date on which Nasdaq notifies to the listed company of such failure. Prior to the transfer of the listing of our ADSs from the Nasdaq Global Market to the Nasdaq Capital Market in January 2020, we received letters from Nasdaq advising us that the market value of our publicly held shares no longer met the continued listing requirement of the Nasdaq Global Market. We cannot assure you that we will not fail to meet the continued listing requirement of the Nasdaq Capital Market in the future. If we are not in compliance with such requirement and fail to regain compliance, we may delist our shares.

Furthermore, according to the Nasdaq listing standards, if the trading price of a listed company's listed securities falls below US\$1.00 per share for a period of 10 consecutive business days, such company's securities may be subject to delisting unless such failure is cured within the grace period the company is eligible to, from the date on which Nasdaq notifies to the listed company of such failure. On January 4, 2019 and March 2, 2020, respectively, we received two letters from Nasdaq advising us that our ADSs had been trading at a price that would subject our ADSs to delisting if we fail to regain compliance with the Nasdaq minimum bid price requirements. We were granted a grace period of 180 calendar days, expiring on August 31, 2020, to regain compliance. We have regained compliance since June 5, 2020 as the closing bid price of our ADSs was at least US\$1.00 for a minimum of ten consecutive business days during this 180-day period.

In addition, according to the Nasdaq listing standards, if the stockholders' equity falls below US\$2.5 million, such company's securities may be subject to delisting from Nasdaq Capital Market, unless such failure is cured within the grace period the company is eligible to, from the date on which Nasdaq notifies to the listed company of such failure. Prior to the transfer of the listing of our ADSs from the Nasdaq Global Market to the Nasdaq Capital Market in January 2020, we received a letter from Nasdaq advising us that our stockholders' equity no longer met the continued listing requirement of the Nasdaq Global Market. We regained compliance with the minimum bid requirement later.

On May 13, 2022, we received a deficiency notice from Nasdaq that stated the Company no longer complies with Nasdaq's Listing Rule 5250(c)(1) due to its failure to file Form 20-F for the period ended December 31, 2021 (the "Filing"). Nasdaq informed the Company that it has a period of 14 days until May 27, 2022 to submit a plan (the "Plan") to Nasdaq detailing how the Company plans to regain compliance with Nasdaq's continued listing requirements. On June 22, 2022, we received a determination letter from Nasdaq that we have regained compliance under Listing Rule 5250(c)(1) based on the filing of our annual report on Form 20-F on June 15, 2022 for the period ended December 31, 2021.

***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 U.S. domestic public companies.***

Because we qualify as 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 with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- 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 are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, 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 compared to 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.

***As a foreign private issuer, we are permitted to, and we plan to, rely on exemptions from certain Nasdaq corporate governance standards applicable to U.S. issuers, including the requirement that a majority of an issuer's directors consist of independent directors. This might afford less protection to holders of our ordinary shares.***

Section 5605(b)(1) of the Nasdaq Listing Rules requires listed companies to have, among other things, a majority of its board members to be independent, and Section 5605(d) and 5605(e) require listed companies to have independent director oversight of executive compensation and nomination of directors. As a foreign private issuer, however, we are permitted to, and we plan to follow the home country practice in lieu of the above requirements. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of our board to consist of independent directors or the implementation of a nominating and corporate governance committee. We have informed Nasdaq that we will follow home country practice in place of all of the requirements of Rule 5600 other than those rules which we are required to follow pursuant to the provisions of Rule 5615(a)(3).

- Rule 5605(b), pursuant to which (i) a majority of the board of directors must be comprised of Independent Directors, and (ii) the Independent Directors must have regularly scheduled meetings at which only Independent Directors are present.
- Rule 5605(c) (other than those parts as to which the home country exemption is not applicable), pursuant to which each company must have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom must meet criteria set forth in Rule 5605(c)(2) (A).
- Rule 5605(d), pursuant to which each company must (i) certify that it has adopted a formal written compensation committee charter and that the compensation committee will review and reassess the adequacy of the formal written charter on an annual basis, and (ii) have a compensation committee of at least two members, each of whom must be an Independent Director.
- Rule 5605(e), pursuant to which director nominees must be selected, or recommended for the Board's selection, either by Independent Directors constituting a majority of the Board's Independent Directors in a vote in which only Independent Directors participate, or a nominations committee comprised solely of Independent Directors.
- Rule 5610, pursuant to which each company shall adopt a code of conduct applicable to all directors, officers and employees.



- Rule 5620(a), pursuant to which each company listing common stock or voting preferred stock, or their equivalents, shall hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year-end.
- Rule 5620(b), pursuant to which each company shall solicit proxies and provide proxy statements for all meetings of shareholders and shall provide copies of such proxy solicitation to Nasdaq.
- Rule 5620(c), pursuant to which each company that is not a limited partnership shall provide for a quorum as specified in its by-laws for any meeting of the holders of common stock; provided, however, that in no case shall such quorum be less than 33% (1/3) of the outstanding shares of the company's common voting stock.
- Rule 5630, pursuant to which each company that is not a limited partnership shall conduct an appropriate review and oversight of all related party transactions for potential conflict of interest situations on an ongoing basis by the company's audit committee or another independent body of the board of directors.
- Rule 5635(a), pursuant to which shareholder approval is required in certain circumstances prior to an issuance of securities in connection with the acquisition of the stock or assets of another company.
- Rule 5635(b), pursuant to which shareholder approval is required prior to the issuance of securities when the issuance or potential issuance will result in a change of control of the company.
- Rule 5635(c), pursuant to which shareholder approval is required prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants, subject to certain exceptions.
- Rule 5635(d), pursuant to which shareholder approval is required prior to the issuance of securities in connection with a transaction other than a public offering involving:
  - o the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable for common stock) at a price less than the greater of book or market value which together with sales by officers, directors or Substantial Shareholders of the company equals 20% or more of common stock or 20% or more of the voting power outstanding before the issuance; or
  - o the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable common stock) equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock.

***Anti-takeover provisions in our charter documents could discourage a third-party from acquiring us, which could limit our shareholders' opportunities to sell their shares at a premium.***

Our fourth amended and restated memorandum and articles of association include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change-of-control transactions. For example, our board of directors will have the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix the designations, powers, preferences and relative, participating, optional and other rights, if any, and the qualifications, limitations and restrictions thereof, if any, including, without limitation, the number of shares constituting each such class or series, dividend rights, conversion rights, redemption privileges, voting powers, full or limited or no voting powers, and liquidation preferences, any or all of which could be greater than the rights associated with our ordinary shares. Preferred shares could thus be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. In addition, if our board of directors issues preferred shares, the market price of our ordinary shares could fall and the voting and other rights of the holders of our ordinary shares could be adversely affected. 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 us in a tender offer or similar transaction.



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

Our corporate affairs are governed by our fourth amended and restated memorandum and articles of association, the Cayman Islands Companies Act (As Revised), as amended, and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by noncontrolling 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 English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary 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 has a less developed body of securities laws than the United States and provides significantly less protection to investors. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands.

There is uncertainty concerning Cayman Islands law related to whether a judgment obtained from the U.S. courts under civil liability provisions of U.S. securities laws will be determined by the courts of the Cayman Islands as penal or punitive. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company, such as our company. As the courts of the Cayman Islands have yet to rule on making such a determination on judgments obtained from U.S. courts under civil liability provisions of U.S. securities laws, it is uncertain whether such judgments would be enforceable in the Cayman Islands. Our Cayman Islands counsel has advised us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States, a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment:

- is given by a foreign court of competent jurisdiction;
- imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given;
- is final and conclusive;
- is not in respect of taxes, a fine or a penalty; and
- was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

You should also read "Item 10. Additional Information—B. Memorandum and Articles of Association—Differences in Corporate Law" for some of the differences between the corporate and securities laws in the Cayman Islands and the United States.

***Your ability to protect your rights as shareholders through the U.S. federal courts could be limited because we are incorporated under Cayman Islands law.***

Cayman Islands companies might not have the standing to initiate a derivative action in a federal court of the United States. As a result, your ability to protect your interests if you are harmed in a manner that would otherwise enable you to sue in a United States federal court could be limited to direct shareholder lawsuits.

***You will have limited ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, because we are incorporated in the Cayman Islands, because we conduct parts of our operations in the PRC and Hong Kong and because some of our directors and officers reside outside the United States.***

We are incorporated in the Cayman Islands and conduct our operations in the United States, the PRC and Hong Kong. A significant part of our assets are located outside the United States. Some of our officers and directors reside outside the United States and a substantial portion of the assets of those persons are located outside of the United States. As a result, it could be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in the PRC or in Hong Kong in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands, of China and of Hong Kong could render you unable to enforce a judgment against our assets or the assets of our directors and officers. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC or Hong Kong would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state, and it is uncertain whether such Cayman Islands or PRC or Hong Kong courts would be competent to hear original actions brought in the Cayman Islands or China or Hong Kong against us or such persons predicated upon the securities laws of the United States or any state.

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

As a result of all of the above, public shareholders might 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 U.S. company.

***Compliance with rules and requirements applicable to public companies could cause us to incur increased costs, which could negatively affect our results of operations.***

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We ceased to be an "emerging growth company" on December 31, 2020, and are no longer eligible for reduced disclosure requirements and exemptions applicable to emerging growth companies. We expect that our loss of emerging growth company status will require additional attention from management and will result in increased costs to us, which could include higher legal fees, accounting fees and fees associated with investor relations activities, among others. We have also incurred and will continue to incur costs associated with corporate governance requirements, including requirements of the Sarbanes-Oxley Act, as well as rules implemented by the SEC and Nasdaq Capital Market, has requirements in corporate governance practices of public companies. We expect these rules and regulations to continue to increase our legal, accounting and financial compliance costs and to make certain corporate activities more time-consuming and costly. Complying with these rules and requirements could be especially difficult and costly for us because we might have difficulty locating sufficient personnel in China with experience and expertise relating to U.S. GAAP and U.S. public company reporting requirements, and such personnel could command higher salaries relative to what similarly experienced personnel would command in the United States. If we cannot employ sufficient personnel to ensure compliance with these rules and regulations, we might need to rely more on outside legal, accounting and financial experts, which could be very costly. In addition, we will incur additional costs associated with our public company reporting requirements. We are evaluating and monitoring developments to these rules, and we cannot predict or estimate the amount of additional costs we might incur or the timing of such costs.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### **A. History and Development of the Company**

We were originally a group buying and B2C e-commerce platform in China under the name of "Beijing Wowo Tuan Information Technology Co., Ltd." To facilitate investment in our company, we incorporated Wowo Limited in Cayman Islands as a holding company in July 2011.

In April 2015, Wowo Limited completed the initial public offering and listed our ADSs on the Nasdaq Stock Market under the symbol "WOWO." We raised approximately US\$37.3 million in net proceeds from our initial public offering after deducting underwriting commissions and the offering expenses payable by us.

In June 2015, we acquired Join Me Group (HK) Investment Company Limited to establish our food services industry B2B business. We issued 741,422,780 ordinary shares and paid US\$30.0 million as consideration for the acquisition.

In September 2015, we divested our group buying and B2C e-commerce businesses to focus our efforts on our food services industry B2B business.

In September 2015, we raised US\$15.0 million in a private placement transaction with Mr. Maodong Xu.

In June 2016, we changed the trading symbol for our ADSs listed on the Nasdaq Global Market to "JMU." In December 2016, we also changed our company name to JMU Limited.

In August 2016, TANSI Global Food Group Co., Ltd, which was formerly known as Xiao Nan Guo Restaurants Holdings Limited, a Hong Kong Stock Exchange listed company (Stock Code: 3666), through its wholly-owned subsidiary, acquired a 9.82% stake in our company via secondary transfers for a total consideration of HK\$368 million (approximately US\$47.5 million).

In July 2018, we changed the ratio of our ADSs to ordinary shares from one ADS representing 18 ordinary shares to one ADS representing 180 ordinary shares.

In May 2019, we acquired Mercurity Limited (previously known as Unicorn Investment Limited) to establish our blockchain-based digital asset infrastructure solutions business. We issued 632,660,858 new ordinary shares as consideration for the acquisition.

In July 2019, we divested our B2B services to food-industry suppliers and customers by selling all the issued and outstanding shares of New Admiral Limited, or New Admiral, our former wholly-owned subsidiary, to Marvel Billion Development Limited, or Marvel Billion, in exchange for US\$1.0 million in cash. In addition, the buyer and the divested entities agreed to waive all the rights and claims with respect to the liabilities owed by us to the divested entities.

In January 2020, we transferred the listing of our ADSs from the Nasdaq Global Market to the Nasdaq Capital Market.

In February 2020, we changed the trading symbol for our ADSs listed on the Nasdaq Capital Market to "MFH."

In March 2020, we acquired the entire ownership of NBpay Investment Limited, or NBpay, to further strengthen our capabilities in the blockchain-enabled payment solutions. We issued 761,789,601 new ordinary shares to Mr. Kaining Hu, our principal shareholder and the sole shareholder of Kualu Yitong, as consideration for the acquisition.

In April 2020, we changed our company name to "Mercurity Fintech Holding Inc." to align the company name with our new blockchain-based digital asset infrastructure solutions business.

In May 2020, we changed the ratio of our ADSs to ordinary shares from one ADS representing 180 ordinary shares to one ADS representing 360 ordinary shares.

On October 17, 2021, we incorporated Golden Nation Ltd. in the State of New York, which plans to develop the cryptocurrency mining business in 2022.

On October 22, 2021, we, through our wholly-owned subsidiary Ucon, entered into a cloud computing power purchase and sales agreement (the "Computing Power Purchase Agreement") with Carpenter Creek LLC ("Bitdeer"), pursuant to which we have purchased and continue purchasing cloud computing power from Bitdeer with the bitcoin mining machines located in Tennessee in accordance with the specific cloud hashrate purchase orders. Based on the Computing Power Purchase Agreement, we will pay for the electricity costs and computing power costs incurred for mining bitcoins pursuant to our orders.

On January 15, 2022, we disposed both of the VIEs, both of which were under the control by Lianji Future, a wholly foreign owned subsidiary of the Company.

In late February 2022, it came to our attention that we could not reach our former acting Chief Financial Officer Wei Zhu, who was also the Company's former Co-Chief Executive Officer, and a former member and Co-Chairperson of the Board. Around that time, we realized that the Company temporarily lost control of all cryptocurrencies attributed to the Company. A few days later we were informed that the former acting Chief Financial Officer had been taken away for personal reasons to cooperate with the investigation from Sheyang County Public Security Bureau, Yancheng City, Jiangsu Province, People's Republic of China, and our hardware cold wallet and all cryptocurrencies held by the former Co-Chief Financial Officer were wrongfully seized and impounded by the Public Security Bureau. The book value on December 31, 2022 of the Bitcoins and USD Coins stored in the out-of-control wallets was \$3,944,808, and we verified that Bitcoins and USD Coins with a book value as of December 31, 2022 of \$3,469,762 stored in the out-of-control wallet had been transferred to other unknown wallets. PRC law firm Deheng Law Office ("Deheng") has been representing the Company in our efforts to recover the wrongfully seized cold wallet and cryptocurrencies from the Public Security Bureau. On November 21, 2022, Deheng submitted the complaint and evidentiary materials to the Public Security Bureau according to the Criminal Procedure Law and the Provisions on Procedures of Handling Criminal Cases by Public Security Organs (the "PRC Criminal Law"). As of December 31, 2022, we and Deheng had not received any definitive response from the Public Security Bureau. We together with Deheng will continue to vigorously pursue the Recovery Proceeding, attempting to regain its cold wallet and cryptocurrencies contained therein, which we believe were wrongfully seized and impounded by the Public Security Bureau.

On April 7, 2022, our Board appointed Mr. Xuehui He and Mr. Yunhui Jin as independent directors of the Board, and Mr. Wenjie Han, and Mr. Junjie (Keith) Tan as directors of the Board.

On April 13, 2022, Mr. Minghao Li, a former member of the Board, and Mr. Wei Zhu, a former member and co-chairperson of the Board, acting chief financial officer, and co-chief executive officer, resigned from all of their positions in the Company for personal reasons.

On April 13, 2022, Samuel Shen, Tony C. Luh, and Paul L. Gillis, each an independent director of the Company, resigned from the Board for the reasons discussed below. The directors resigned from the Board because each director did not agree with certain other members of the Board regarding their requests for an internal inquiry and confirmation of certain events in regards to the detentions of Wei Zhu and Minghao Li.

On May 6, 2022, our Board received and accepted the resignations of Laibin Ding, Wenjie Han and Yunhui Jin, as directors of the Board, and on May 7, 2022, the Board received and accepted the resignation of Xuehui He as a director of the Board.

On May 7, 2022, our Board elected Shi Qiu, Xiang Qu, and Er-Yi Toh as new directors of the Company, among whom Xiang Qu and Er-Yi Toh are deemed independent under Nasdaq Rule 5605(a)(2). In addition, on May 7, 2022, the Board removed Hua Zhou as the Chairperson of the Board and elected Huahui Deng as the Chairman of the Board. Furthermore, on May 7, 2022, the Board removed Hua Zhou as the Chief Executive Officer of the Company and appointed Shi Qiu as the new Chief Executive Officer of the Company. The Board also appointed Cheng Hock Phuah as our new Chief Financial Officer, effective May 7, 2022. In connection with the changes of the Board of Directors and the management team, we had been shifting directions and focusing on finding new funds and new business opportunities particularly related to its global business operations.

On June 13, 2022, we issued a promissory note (the "Note") to Ying Wang (the "Noteholder"), a Singapore resident, in the principal amount of up to USD\$5,000,000 to provide for our working capital. The Note has a term of one year with the maturity date on June 1, 2023 (the "Maturity Date") and bears no interest other than any applicable imputed interest charged by the appropriate government authority. The balance of the Note may be prepaid at any time before the Maturity Date. On August 29, 2022, the Noteholder sold, assigned, transferred, and conveyed unto Aiming Jumbo Limited (the "Purchaser") the Noteholder's rights and interests to receive payments from us in connection with the Note in exchange for the repayment of the Outstanding Loan Amount. As of December 31, 2022, we have received USD\$0.4 million (the "Outstanding Loan Amount") of the Note from the Noteholder.

On July 15, 2022, we incorporated MFH Tech, which develops digital consultation services, with the plan of providing digital payment solutions, asset management, and a continued expansion into online and traditional brokerage services. On August 23, 2022, we signed a Consulting Agreement with a Chinese media company (the "Client"), pursuant to which we will serve as an independent contractor in order to facilitate the Client to conduct its initial public offering (the "IPO"). The Consulting Agreement shall continue until December 31, 2024 unless terminated earlier by both parties. In accordance with the Consulting Agreement, the total cash payment for the Consultant's services shall be USD\$160,000, and, upon completion of the IPO, the Client shall issue its equity securities worth of USD\$3,000,000 as the remainder of the compensation.

On October 9, 2022, our Board appointed Lynn Alan Curtis, Daniel Kelly Kennedy, Zheng Cui, Qian Sun, and Hui Cheng as new Directors of the Company, among whom Lynn Alan Curtis, Zheng Cui, and Hui Cheng are deemed independent. On October 9, 2022, the Company appointed Qian Sun to be the Chief Executive Officer and Director of MFH Tech.

On November 11, 2022, we entered into a Securities Purchase Agreement in connection with a private investment in public equity (the "PIPE") financing with certain non-U.S. investors to offer and sell our units, each consisting of one ordinary share and three warrants for total gross proceeds of USD\$3.15 million (the "First PIPE Proceeds"). Net proceeds from the PIPE financing are expected to be used to advance our business development activities for working capital and other general corporate purposes. Among other purposes, we intend to use part of the First PIPE Proceeds to grow our digital consultation services in the U.S., including obtaining the "BitLicense" from New York State Department of Financial Services for digital currency related activities although we cannot provide any assurances on obtaining the "BitLicense" in the immediate future or at all.

On November 11, 2022, Cheng Hock Phuah resigned as the Chief Financial Officer of the Company without any disagreement with us on any matter relating to its operations, accounting policies, or practices. On November 13, 2022, our Board of Directors appointed Yukuan Zhang, who previously served as the Chief Accountant, as the new Chief Financial Officer to fill the vacancy created by Mr. Phuah's resignation.

On November 21, 2022, we held our 2022 annual shareholders' meeting (the "2022 Annual Shareholder Meeting"), at which the proposals approved by the requisite majority of the votes cast by the shareholders that attended the Meeting by proxy or in person are as follows: 1) election of Shi Qiu, Xiang Qu, Er-Yi Toh, Cong Huang, Keith Tan Jun Jie, Lynn Alan Curtis, Daniel Kelly Kennedy, Zheng Cui, Qian Sun, and Hui Cheng, to serve the Board of Directors of the Company, until the next annual shareholders meeting and until their successors are duly elected and qualified; 2) approval of the reverse split (the "Reverse Split") of the Company's issued ordinary shares at a ratio of not less than one (1)-for-three hundred sixty (360) and not more than one (1)-for-seven hundred twenty (720), with the exact ratio to be set at a whole number within this range to be determined by the Company's Board, or any duly constituted committee thereof, in its discretion; and 3) suspension of the trading of the Company's American Depositary Receipts / Shares ("ADRs"), termination of the Deposit Agreement for the ADRs among the Company, its depository bank, Citibank, N.A., and the holders and beneficial owners of the Company's ADRs, the exchange of ADRs for the corresponding ordinary shares of the Company, and commencement of trading of the Company's ordinary shares on the Nasdaq Stock Market upon the effectiveness of the Reverse Split.

At our 2022 Annual Shareholder Meeting, our Board and management reformulated our development strategy for the next three years, wherein our business will include: (i) Distributed computing and storage services business, including cryptocurrency mining and distributed computing and storage services for other application areas; (ii) Digital consultation services, providing digital payment solutions, asset management, and continued expansion into online and traditional brokerage services; and (iii) Blockchain technical services business, providing designing and developing digital asset transaction platforms, digital asset quantitative investment software and other innovative and derivative services based on blockchain technologies.

On November 30, 2022, we entered into a Securities Purchase Agreement with two investors to offer and sell our units, each consisting of one ordinary share and three warrants for total gross proceeds of USD\$5 million (the "Second PIPE Proceeds"). Net proceeds from the PIPE financing are expected to be used to advance our business development activities for working capital and other general corporate purposes. Among other purposes, we intend to use part of the Second PIPE Proceeds to grow our digital consultation services in the U.S., including obtaining the "Bit License" from New York State Department of Financial Services, for digital currency related activities although we cannot provide any assurance on actually obtaining the "Bit License" in the near future or at all.

On December 15, 2022, we entered into an asset purchase agreement (the "Asset Purchase Agreement") with Huangtong International Co., Ltd. (the "Vendor" or "Huangtong International"), providing for the acquisition and purchase of Web3 decentralized storage infrastructure, including cryptocurrency mining servers, cables, and other electronic devices (the "Assets"), for an aggregate consideration of USD\$5,980,000, payable in our ordinary shares. The investment is made with an aim to own mining machines capable of gathering, processing, and storing vast amounts of data, to advance the cryptocurrency mining business, and to further solidify us as a pioneer in the creation of the Web3 framework. Pursuant to the Asset Purchase Agreement, we would make the payment for the aforementioned equipment in the form of our ordinary shares (the "Purchase Price Shares"), at a stipulated price of USD\$0.0022 per share, in the aggregate amount of 2,718,181,818 shares. We shall issue Huangtong International certain amount of warrants, with an exercise price of USD\$0.60 per ADR or USD\$0.00167 per ordinary share, subject to the condition that the Assets generate certain amounts of gross revenue and net income as set forth in the Asset Purchase Agreement. Huangtong International will remain responsible for the installation of all mining equipment at sites designated by us and will also undertake routine maintenance of the devices for one year.

On December 23, 2022, we entered into a Securities Purchase Agreement in connection with a private investment in public equity (the "PIPE") financing with an accredited non-U.S. investor to offer and sell our units, each consisting of one ordinary share and three warrants for total gross proceeds of USD\$5 million. We expect to use the net proceeds from the three rounds of PIPE financing to develop its Web3 and blockchain infrastructure, expand our digital consultation services, and pursue the licensure for cryptocurrency ("BitLicense") from New York State Department of Financial Services although we cannot provide any assurance on actually obtaining the "BitLicense" in the near future or at all.

On January 10, 2023, we entered into an asset purchase agreement with Jinhe Capital Limited, providing for the purchase of 5,000 Antminer S19 PRO Bitcoin mining machines, for an aggregate consideration of USD\$9,000,000. These machines will be delivered by July 10, 2023, and will be used for physical Bitcoin mining business.

On January 27, 2023, Citibank, N.A., the depositary (the "Depositary") of the Company's American Depositary Receipts (the "ADRs"), distributed to all holders and beneficial owners of the Company's ADRs a notification (the "Termination Notice") regarding termination of the Deposit Agreement, dated April 13, 2015, as amended, by and among the Company, the Depositary, and all holders and beneficial owners of the ADRs (the "Deposit Agreement"). The effective date of the termination of the Deposit Agreement was February 28, 2023 (the "Effective Date"). Pursuant thereto the Company directed the Depositary to implement a mandatory exchange of ordinary shares for, and mandatory cancellation of, the ADSs. As a result of the termination of the Company's American Depositary Receipts facility in accordance with the Deposit Agreement, upon the termination date, holders of ADSs will have their ADSs automatically cancelled and would be entitled to receive the corresponding underlying Deposited Securities (the "Mandatory Exchange") at a rate of three hundred and sixty (360) Shares for each ADS cancelled. The Company further advised the Depositary that, immediately following the Mandatory Exchange, the Company will undertake a consolidation of the Company's Shares at a rate of one (1) new Share for every four hundred (400) existing Shares (the "Share Consolidation"). As a result of the Share Consolidation, former ADS holders should expect to receive nine-tenths (0.9) of a new Share for every one (1) ADS previously held.

On January 28, 2023, the Company decided to write off NBpay Investment Limited and its subsidiaries, which do not have any active operations, assets, employees or business. After the adjustment of the above corporate structure, the Company will take MFH Tech, the U.S. subsidiary, as the operating entity of distributed computing and storage services business and digital consultation services business in North America, and will take Mercurity Limited and its Hong Kong and China subsidiaries as the operating entities of blockchain technical services business and digital consultation services business in the Asia-Pacific region.

On February 6, 2023, we entered into a Securities Purchase Agreement ("SPA") with a non-U.S. investor (the "Purchaser"). Pursuant to the SPA, we issued the Purchaser an Unsecured Convertible Promissory Note with a face value of \$9 million upon receiving the Proceeds from the Purchaser on February 2, 2023. The Note shall bear non-compounding interest at a rate per annum equal to 5% from the date of issuance until repayment of the Note unless the Purchaser elects to convert the Note into ordinary shares. If the Purchaser does not elect to convert the Note, then the outstanding principal amount and all accrued but unpaid interest on the Note shall be due and payable upon the one-year anniversary of the Issuance Date of the Note (the "Maturity Date"). The Purchaser has the right to convert the outstanding balance under the Note into the Company's ordinary shares (the "Conversion Shares") at a per share price equal to \$0.00172 (the "Conversion Share Price," equivalent to \$0.62 per ADR) according to the terms and conditions of the Note. In addition, upon conversion of the Note, the Purchaser shall receive 100% warrant coverage equal to the number of Conversion Shares with the exercise price at the Conversion Share Price.

The Share Consolidation as aforementioned became effective on February 28, 2023. As of February 28, 2023, the total number of ordinary shares issued and outstanding post the Share Consolidation and Mandatory Exchange was 46,537,290 shares.

On February 6, 2023 and March 1, 2023, Deheng continued to communicate with the police officer of Sheyang Public Security Bureau and the police officer confirmed that they had received the above-mentioned complaint and evidentiary materials, and he made the following reply after talking with our former CFO on relevant issues and communicating with the procuratorate: (1) Sheyang Public Security Bureau acknowledged that the digital assets in the seized digital assets cold wallet belongs to the Company, which meant that they recognized the fact in the appeal materials submitted by Deheng about the acquisition of digital assets by means of private financing and the digital assets mining business of the Company; and (2) Sheyang Public Security Bureau believes that even if the source of the digital assets is real and traceable, it does not prove that the digital assets are not related to the case under investigation, and so before the case related to our former CFO is solved, they cannot release the seized digital assets under this circumstance. We together with Deheng will continue to vigorously pursue the Recovery Proceeding and attempt to regain our cold wallet and cryptocurrencies contained therein, which we believe were wrongfully seized and impounded by the Public Security Bureau.

The difficulties we have faced have been turned into an opportunity to redefine our business during equally turbulent market conditions on the macro level in both the cryptocurrency and traditional financial sectors. After the restructuring of the board of directors, three successful rounds of financing, expanding our investment in the latest and most efficient technology to support our cryptocurrency mining business, and our expansion into what our Company believes are the most interesting and lucrative future prospects in blockchain, fintech and traditional finance, we believe we will emerge from this restructuring process incredibly well positioned to take advantage of what we call ‘the future of finance.’

On April 12, 2023, we completed the incorporation of another U.S. subsidiary, Chaince Securities, Inc., which plans to develop online and traditional brokerage services in the future.

Our principal executive offices are located at 1330 Avenue of Americas, Fl 33, New York, 10019, United States. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC on [www.sec.gov](http://www.sec.gov). You can also find information on our investor relationship website <https://mercurityfintech.com/>. The information on our website should not be deemed a part of this annual report.

## **B. Business Overview**

### **Our Principal Business**

Prior to July 2019, we provided integrated B2B services to food service suppliers and customers in China. In May 2019, we acquired Mercurity Limited and its subsidiaries and variable interest entity ("VIE") to start blockchain technical services including developing digital asset transaction platforms and other solutions based on blockchain technologies.

On July 22, 2019, we divested our B2B services to food service suppliers and customers by selling all the issued and outstanding shares of New Admiral Limited, or New Admiral, our former wholly-owned subsidiary operating the B2B business, to Marvel Billion Development Limited, or Marvel Billion. After this divestment, we are no longer engaged in B2B services and our current principal business is focused on providing blockchain technical services. We design and develop digital asset transaction platforms based on blockchain technologies for customers to facilitate crypto asset trading and asset digitalization and provide supplemental services for such platforms, such as customized software development services, maintenance services and compliance support services.

In March, 2020, we acquired NBpay Investment Limited and its subsidiaries and variable interest entity ("VIE"), a developer of asset transaction platform products based on blockchain technologies, to advance the blockchain technical services business.

In August 2021, we added cryptocurrency mining as one of our main businesses going forward. We entered into cryptocurrency mining pools by executing a business contract with a collective mining service provider on October 22, 2021 to provide computing power to the mining pool and derived USD\$664,307 related revenue in 2021 and USD\$783,089 related revenue in the first half of 2022.



Due to the extremely adverse regulatory measures taken by the Chinese government in 2021 in the field of digital currency production and transaction, our board of Directors decided on December 10, 2021 to divest the Chinese companies of the related business controlled through VIE agreements, and the divestiture was completed on January 15, 2022.

In late February 2022, Wei Zhu, our former acting Chief Financial Officer, former Co-Chief Executive Officer, and a former member and Co-Chairperson of the Board, and Minghao Li, a former member of the Board, were suspected of certain criminal offenses unrelated to our company's operations and had been detained by the Economic Crime Investigation Detachment of Sheyang County Public Security Bureau, Yancheng City, Jiangsu Province, People's Republic of China, leading to that our hardware cold wallet and all cryptocurrencies held by Wei Zhu were seized and impounded by the Public Security Bureau.

Due to the dismantling of the VIEs and the cessation of all business related to the digital asset transaction platforms, as well as the temporary difficulties brought to us by the incident that our cryptocurrencies were out of control, the original Chinese technical team also left in the first half of 2022, and we failed to rebuild the technical service team in the second half of 2022. As a result, our blockchain technical services business did not generate any revenue in 2022.

In July 2022, we added digital consultation services as one of our main businesses going forward, providing digital payment solutions, asset management, and a continued expansion into online and traditional brokerage services.

On July 15, 2022, we incorporated Mercury Fintech Technology Holding Inc. ("MFH Tech") to develop distributed computing and storage services and digital consultation services. On August 23, 2022, MFH Tech signed a Consulting Agreement with a Chinese media company, pursuant to which MFH Tech will serve as an independent contractor in order to facilitate the Client to conduct its initial public offering, and derived USD\$80,000 related revenue in 2022.

On December 15, 2022, we entered into an asset purchase agreement with Huangtong International Co., Ltd., providing for the acquisition and purchase of Web3 decentralized storage infrastructure, including cryptocurrency mining servers, cables, and other electronic devices, for an aggregate consideration of USD\$5,980,000, payable in our ordinary shares. The investment is made with an aim to own mining machines capable of gathering, processing, and storing vast amounts of data, to advance the cryptocurrency mining business, and to further solidify us as a pioneer in the creation of the Web3 framework. On December 20, 2022, the assets began to be used for Filecoin mining operations and derived USD\$348 related revenue in 2022.

On January 10, 2023, we entered into an asset purchase agreement with Jinhe Capital Limited, providing for the purchase of 5,000 Antminer S19 PRO Bitcoin mining machines, for an aggregate consideration of USD\$9,000,000. These machines will be delivered by July 10, 2023, and will be used for physical Bitcoin mining business. The S19 Pro offers cutting-edge technology and are the highest quality machines currently available on the market with increased speed, computing power and efficiency. The decision to purchase these machines was made with the intention of providing our Company with a competitive edge in the cryptocurrency mining sector, and an increase in revenue relative to cost, due to their efficiency and overall cost-effectiveness.

On January 28, 2023, we decided to write off NBpay Investment Limited and its subsidiaries, which are all shell companies without any assets, employees or business. After the adjustment of the above corporate structure, we will utilize MFH Tech, the US subsidiary, as the operating entity of distributed computing and storage services (including cryptocurrency mining) and digital consultation services business, and will our Hong Kong and China subsidiaries as the operating entities of the blockchain technical services and digital consultation services business in the Asia-Pacific region, and we will establish a new technical services team in China.

On April 12, 2023, the Company completed the incorporation of another U.S. subsidiary, Chaince Securities, Inc., which plans to develop online and traditional brokerage services independently in the future.



### *Blockchain technical services*

We provide digital asset trading infrastructure solutions based on internet and blockchain technologies to our customers. These services include, among others, (i) comprehensive solutions in connection with digital asset transactions, (ii) platform-based products, such as transaction facilitation systems, trading systems, account management systems, operation management systems and mobile applications, and (iii) a variety of supplemental services, such as customized software development services, maintenance services and compliance support services. We launched Version 2.0 of our asset trading platform in 2019 which has included enhancements to the functionality of Version 1.0 as well as new offerings of services and products for our customer on this platform. Our target customers for such trading platforms are mainly cryptocurrency traders, blockchain-based virtual communities, and liquidity providers. In 2019, we generated substantially all of our Revenue from selling our cryptocurrency asset trading platform and providing supplemental services to one customer who purchased this platform. However, due to changes in management and business team in 2021, we did not conclude any additional sales from this trading platform product in 2021. Due to the dismantling of the VIEs and the cessation of all business related to the digital asset transaction platforms, as well as the temporary difficulties brought to us by the incident that our cryptocurrencies were out of control, we did not conclude any related revenue in 2022.

We have developed an asset digitalization platform, which can provide blockchain-based digitalization solutions for traditional assets, such as fiat currencies, bonds and precious metals. These solutions include, among others, (i) standard process of white label asset tokenization, such as onboarding, compliance certification, asset custody and token issuance and asset redemption by token holders, (ii) comprehensive and customized solutions for asset tokenization, and (iii) blockchain-enabled smart contract management system, KYC and anti-money laundering compliance management system, trust audit management system and other products that can be purchased and used separately, as well as mobile applications. We launched Version 1.0 of our asset digitalization platform in 2019 to provide institutional customers with customized services and products. We are currently developing Version 2.0 of our asset digitalization platform. The core offerings of Version 2.0 will be SaaS platform products and application program interface or "API" services. The revenue from this product was US\$122,343 during the year of 2021, generated by one of the VIEs which have been divested in 2022, and therefore these Revenue are classified under loss/income from discontinued operations in our audited consolidated financial statements for the year ended December 31, 2021. Due to the dismantling of the VIEs and the cessation of all business related to the digital asset transaction platforms, as well as the temporary difficulties brought to us by the incident that our cryptocurrencies were out of control, we did not conclude any related revenue in 2022.

In November 2020, we launched an open, decentralized finance (DeFi) platform that designed to solve retail traders' global problems of low liquidity and capital utilization, poor governance, token growth incentive deficiencies, and slow transaction speeds. However, due to changes of the business focus in 2021, the revenue from this DeFi platform was immaterial and we discontinued the development of such DeFi platform.

### *Cryptocurrency Mining*

In August 2021, we added cryptocurrency mining as one of our main businesses going forward. Cryptocurrency mining is part of our distributed computing and storage services business.

We have entered into cryptocurrency mining pools by executing contracts with the mining pool operators or executing contracts with the sharing mining service providers to increase computing power or storage capacity to the mining pool. The contracts are terminable at any time by either party and our enforceable right to compensation only begins when we provide computing power or storage capacity to the mining pool operator. In exchange for providing computing power or storage capacity, we are entitled to a fractional share of the fixed digital asset awards the mining pool operator receives, for successfully adding blocks to the blockchain. Our fractional share is relative to the proportion of computing power or storage capacity we contribute to the mining pool operator toward the total computing power or storage capacity contributed by all mining pool participants in solving the current algorithm.

Providing computing power or storage capacity in digital asset transaction verification services is an output of our ordinary activities. The provision of such computing power or storage capacity is the only performance obligation in our contracts with mining pool operators or contracts with the sharing mining service providers. The transaction consideration we receive, if any, is noncash consideration, which we measures at fair value on the date received, which is not materially different than the fair value at contract inception or the time we have earned the award from the pools. These considerations are all variable. Since significant reversals of cumulative revenue are possible given the nature of the assets, the consideration is constrained until the mining pool operator successfully places a block (by being the first to solve an algorithm) and we receive confirmation of the consideration it will receive, at which time revenue is recognized. There is no significant financing component related to these transactions.

Fair value of the digital assets award received is determined using the quoted price of the related digital assets at the time of receipt. There is currently no specific definitive guidance under U.S. GAAP or alternative accounting framework for the accounting of digital assets either held or recognized as revenue, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the FASB, we may be required to change related policies, which could have an effect on our consolidated financial position and results from operations.

For the year ended December 31, 2022, we earned \$783,090 in Bitcoin mining revenue from shared mining operations and \$348 in Filecoin mining revenue from physical mining operations.

#### *Consultation services*

In July 2022, we added digital consultation services as one of our main businesses going forward, providing digital payment solutions, asset management, and a continued expansion into online and traditional brokerage services.

Considering that the contents of different projects of our consultation service business varies greatly, we adopt the percentage-of-completion method to measure and recognize revenue for each consultation service project. The percentage-of-completion method recognizes income as work on a contract's (or group of closely related contracts) progress. The recognition of Revenue and profits is generally related to costs incurred in providing the services required under the contract.

On August 23, 2022, we signed a Consulting Agreement with a Chinese media company, pursuant to which we will serve as an independent contractor in order to facilitate the Client to conduct its initial public offering. As of December 31, 2022, the project was approximately 50% on schedule and we recognized consultation service revenue of \$80,000 for the year ended December 31, 2022 in line with the completion schedule and have plans to expand upon this business in the near future.

### ***Our Customers***

#### *Blockchain technical services*

As of December 31, 2022, we did not have any customers of our blockchain technical services business. We entered into two master software development agreements with a customer in May 2018 and July 2019, respectively. The projects were completed in 2020. We entered into one agreement with a newly acquired customer in July 2020. Pursuant to the agreement, we have provided software design, development, testing, installation, configuration, integration and customized development services based on blockchain technologies and related supplemental services to this customer from July 29, 2020 to July 29, 2021. The contract value was approximately \$210,000. The customer makes installment payments of product development and service fees to us upon the occurrence of each specified event set out in the agreement. Due to the dismantling of the VIEs and the cessation of all business related to the digital asset transaction platforms, as well as the temporary difficulties brought to us by the incident that our cryptocurrencies were out of control, we did not onboard new customers in 2022.

#### *Cryptocurrency Mining*

Cryptocurrency mining is part of our distributed computing and storage services business. Our mining business customer is the mining pool operators. We provide computing power or storage capacity to the mining pool, and we are entitled to a fractional share of the fixed digital assets award the mining pool operator receives, for successfully adding a block to the blockchain. The mining pool of our Bitcoin mining business is F2Pool and the mining pool of our Filecoin mining business is Filscan.

#### *Consultation services*

As of December 31, 2022, we had only one customer of our digital consultation services business. We have plans to invest more into promotional cost and brand awareness to attract more customers in the future.

### ***Marketing***

We engage various marketing channels to promote our business to more business partners and individual customers. We also provide various incentives to our customers to increase their spending and loyalty, and we send e-mails to our customers periodically with product recommendations and/or promotions. To enhance our brand awareness, we also have engaged in brand promotion activities.

In addition to the online marketing activities, we also utilize offline activities to attract more users and promote our brand recognition. For example, we attended offline meetings to enhance our brand awareness and promote our presence in the industry.

As our business continues to evolve and expand into different areas, we have plans to steadily increase our marketing and promotional investment and efforts alongside the projected growth relative to these investments.

### ***Competition***

The blockchain and digital asset industry is intensely competitive and is densely populated by global competitors touting blockchain capabilities, including Uniswap, Huobi, Bitbank, Wanxiang Blockchain, Bit One Group and Metaps Inc., among others. Our competitors may have entered the industry much earlier than us. They may be better capitalized, may have more industry connections, and may be able to adapt more quickly to new technologies or may be able to devote greater resources to the development, marketing and sale of their products than we can.

We anticipate that the blockchain and digital asset market will continually evolve and will continue to experience rapid technological change, evolving industry standards, shifting customer requirements, and frequent innovation. We must continually innovate to remain competitive. We believe that the principal competitive factors in our industry are:

- brand recognition and reputation;
- product quality;
- transaction speed;
- pricing;
- ecosystem integration; and
- customer service.

We believe that we are well-positioned to effectively compete on the basis of the factors listed above and that our Company benefits from many advantages over the competition. However, some of our current or future competitors have or may introduce new platforms and solutions that are superior to ours.

### ***Seasonality***

We have not experienced seasoned fluctuations in our current principal business. Due to our limited operating history in our current core business, the seasonal trends that we experienced are not necessarily indicative of the seasonal trends that we may experience in the future.

## Intellectual Property

We regard trademarks, copyrights, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and from time to time we rely on copyright and trademark law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of December 31, 2022, we have registered a generic top-level domain name. Our registered domain name is [www.mercurityfintech.com](http://www.mercurityfintech.com).

## Regulations

This section sets forth a summary of the most significant rules and regulations that affect our business activities in the PRC.

### *Regulations Relating to Foreign Investment*

*Industry Catalogue Relating to Foreign Investment.* Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, which was promulgated and is amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. Industries listed in the Catalogue are divided into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are generally deemed as constituting a fourth "permitted" category. The current Special Administrative Measures (Negative List) for Admission of Foreign Investment (Year 2019) was promulgated in June 2019 and Industry Guidelines on Encouraged Foreign Investment (Year 2019) was promulgated in June 2019. Establishment of wholly foreign-owned enterprises is generally allowed in encouraged and permitted industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category. Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations.

Through our WFOE and the previous VIEs, we were engaged in certain industries that are classified as "restricted" under the Catalogue. We engage in the development of computer network technology, technical consultancy and technical services, which belong to the permitted category. Under PRC law, the establishment of a wholly foreign owned enterprise is subject to the approval of, or the requirement for record filing with, the Ministry of Commerce or its local counterparts and the wholly foreign owned enterprise must register with the competent industry and commerce bureau. We have duly obtained the approvals from the Ministry of Commerce or its local counterparts for our interest in our wholly owned PRC subsidiaries and completed the registration of these PRC subsidiaries with the competent industry and commerce bureau.

The Ministry of Commerce issued the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises, as amended in June 2018, which was replaced by Measures on Reporting of Foreign Investment Information promulgated in December 2019. According to Measures on Reporting of Foreign Investment Information, foreign investors carrying out investment activities in the PRC directly shall submit investment information to the Ministry of Commerce or its local counterparts. Pursuant to the Announcement [2016] No. 22 of the National Development and Reform Commission and the Ministry of Commerce dated October 8, 2016, the special entry administration measures for foreign investment apply to restricted and prohibited categories specified in the Catalogue, and the encouraged categories are subject to certain requirements relating to equity ownership and senior management under the special entry administration measures.

On January 1, 2020, Foreign Investment Law of the People's Republic of China became effective. For foreign-invested enterprises established after the Foreign Investment Law, the organization form, institution and activity requirement shall be governed by the PRC Company Law and PRC Partnership Law. The established foreign-invested enterprises have a five-year transition period. During the transition period, the enterprises could retain the original organization form. Specific implementation measures will be further formulated by the State Council.

On August 5, 2020, the opinions of the general office of the State Council on further stabilizing foreign trade and foreign investment came into effect. The rules put forward requirements on expanding the online channels of foreign trade and improving the convenience of foreign business personnel to come to the PRC, which is of great benefit to the field of foreign investment.

*Foreign Investment in Value-Added Telecommunications Businesses.* The Regulations for Administration of Foreign-invested Telecommunications Enterprises promulgated by the PRC State Council in December 2001 and subsequently amended in September 2008 and February 2016 set forth detailed requirements with respect to capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunications enterprise. These regulations prohibit a foreign entity from owning more than 50% of the total equity interest in any value-added telecommunications service business in the PRC and require the major foreign investor in any value-added telecommunications service business in the PRC have a good and profitable record and operating experience in this industry.

#### *Regulations Relating to Blockchain Technology*

Since May 2019, we started to engage in blockchain-enabled digital asset infrastructure solutions business. The PRC has promulgated laws and restrictions against illegal activities conducted through blockchain technologies.

In January 2019, the Cyberspace Administration of China promulgated the Administrative Regulation on Blockchain Information Services, which regulates the information services provided to the public through internet sites, applications, etc. based on blockchain technology or systems. It states that blockchain information services suppliers shall implement the responsibility for information content security management, establish and improve management systems such as user registration, information review, emergency response, and security protection, they shall also have the technical conditions suitable for their services, establish and disclose management rules and platform conventions, sign service agreements with blockchain information services users, etc. This is the first time China conducted compliance supervision on the blockchain.

The PRC Cryptography Law, which entered into force on January 1, 2020, is the latest normative legal document that regulates the blockchain industry. The term "cryptography" refers to products, technologies and services that use specific transformations to carry out encryption protection or security authentication for information, etc. The use of blockchain technology to encrypt and protect the information it collects is a "cryptography" under PRC law and shall be regulated by the PRC Cryptography Law.

Under PRC criminal law, the illegal use of blockchain technology may involves four types of crimes: crime of refusing to perform network security management obligations, crime of helping information network criminal activities, crime of violating citizens' information and crime of endangering public safety. Among them, the crime of refusing to perform network security management obligations may cause the mass dissemination of illegal information, the leakage of user information and leads to a serious consequence, the loss of evidence in criminal cases in a serious circumstance and other serious circumstance. Refusing to make corrections after being ordered by the regulatory authority to make corrective measures is subject to imprisonment of up to three years, detention or control and a fine.

In September 2021, ten PRC governmental authorities, including the People's Bank of China (PBOC), jointly issued the "Notice on Further Preventing and Resolving the Risks of Virtual Currency Trading and Speculation" to clarify that cryptocurrency is not a legal tender in the PRC. Additionally, in September 2021, eleven governmental authorities, including the National Development and Reform Commission and the People's Bank of China jointly issued the "Notice of Rectifying Virtual Currency Mining Activities" to strictly prohibit the virtual currency mining activities in the PRC. As of the date of this annual report, all cryptocurrency transactions in the PRC are considered illegal, including offshore exchanges to provide services to Chinese citizens. In response to such rapid and adverse regulatory changes in the PRC, we had to remodel our business plans and shift the business focus outside of the PRC.

#### *Regulations Relating to E-Commerce*

Prior to July 22, 2019, our principal business was food-industry B2B services and we were subject to regulations relating to e-commerce. As a result of the divestiture of the previous food business, we are no longer subject to E-commerce related rules and regulations.

*Regulations Relating to Internet Content and Information Security*

The Administrative Measures on Internet Information Services specify that internet information services regarding news, publications, education, medical and health care, pharmacy and medical appliances, among other things, are to be examined, approved and regulated by the relevant authorities. Internet information providers are prohibited from providing services beyond those included in the scope of their ICP licenses or filings. Furthermore, these measures clearly specify a list of prohibited content. Internet information providers are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes the lawful rights and interests of others. Internet information providers that violate the prohibition may face criminal charges or administrative sanctions by the PRC authorities. Internet information providers must monitor and control the information posted on their websites. If any prohibited content is found, they must remove the offending content immediately, keep a record of it and report to the relevant authorities.

Internet information in the PRC is also regulated and restricted from a national security standpoint. The National People's Congress, the PRC's national legislative body, has enacted the Decisions on Maintaining Internet Security, which may subject violators to criminal punishment in the PRC for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The Ministry of Public Security has promulgated measures that prohibit use of the internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content.

In July 2019, the Cyberspace Administration of the PRC promulgated The Measures for Credit Information Management of Internet Untrustworthy Subjects (draft) to credit construction in the field of internet information services and strengthen credit information management of internet information service untrustworthy subjects. The draft lists four specific cases of serious untrustworthy activities and stipulates the subject of the above-mentioned acts shall be included in the blacklist of serious untrustworthy of internet information service. The validity period is three years, during which the subject will be restricted to engage in internet information service. Relatively minor behaviors which committed several times but have not reached the blacklist determination criteria will be included in the focus list.

In January 2021, the state Internet Information Office issued the administrative measures for Internet information services (Revised Draft for comments). The PRC has set up a blacklist system for Internet information services. Organizations and individuals whose licenses or records have been revoked by the competent authorities shall not re apply for relevant licenses or records within three years; organizations and individuals whose accounts have been cancelled or websites have been shut down by the competent authorities shall not re provide similar services for them within three years.

On July 10, 2021, the PRC State Internet Information Office issued the Measures of Cybersecurity Review, which requires cyberspace companies with personal information of more than one (1) million users that want to list their securities on a non-Chinese stock exchange to file a cybersecurity review with the Office of Cybersecurity Review of China. On December 28, 2021, a total of thirteen governmental departments of the PRC, including the PRC State Internet Information Office issued the Measures of Cybersecurity Review, which will become effective on February 15, 2022.

We (1) are not required to obtain permissions from any PRC authorities to offer to sell or issue our ordinary shares to non-Chinese investors, (2) are not covered by the permission requirements from the China Securities Regulatory Commission (the "CSRC") and Cyberspace Administration of China (the "CAC") or any other entity that is required to approve of the operations of ours and our subsidiaries, and (3) have not received nor been denied such permissions by any PRC authorities. Nevertheless, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the "Opinions on Severely Cracking Down on Illegal Securities Activities According to Law," or the July 6, 2021 Opinions, which were made available to the public on July 6, 2021. The July 6, 2021 Opinions emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies. Given the current PRC regulatory environment, it is uncertain whether and when we or our subsidiaries will be required to obtain any permission from the PRC government to list on a U.S. stock exchanges in the future, and even when we obtain such permission, whether it will be denied or rescinded.

*Regulations Relating to Internet Privacy*

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. The Administrative Measures on Internet Information Services prohibit ICP service operators from insulting or slandering a third-party or infringing upon the lawful rights and interests of a third-party. Under the Several Provisions on Regulating the Market Order of Internet Information Services, issued by the MIIT in 2011, an ICP operator may not collect any user personal information or provide any such information to third parties without the consent of a user. An ICP service operator must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An ICP service operator is also required to properly keep the user personal information, and in case of any leak or likely leak of the user personal information, the ICP service operator must take immediate remedial measures and, in severe circumstances, to make an immediate report to the telecommunications regulatory authority. In addition, pursuant to the Decision on Strengthening the Protection of Online Information issued by the Standing Committee of the National People's Congress in December 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT in July 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An ICP service operator must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying of any such information, or selling or providing such information to other parties. Any violation of the above decision or order may subject the ICP service operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities. Furthermore, in June 2016, the State Internet Information Office issued the Administrative Provisions on Mobile Internet Applications Information Services, which became effective on August 1, 2016, to further strengthen the regulation of the mobile application information services. Pursuant to these provisions, owners or operators of mobile internet applications that provide information services are required to be responsible for information security management, establish and improve the protective mechanism for user information, observe the principles of legality, rightfulness and necessity, and expressly state the purpose, method and scope of, and obtain user consent to, the collection and use of users' personal information. In addition, the new Cyber Security Law, which became effective on June 1, 2017, also requires network operators to strictly keep confidential users' personal information that they have collected and to establish and improve user information protective mechanism. We have required our users to consent to our collecting and using their personal information, and established information security systems to protect user's privacy.

On May 24, 2019, the Cyberspace Administration of the PRC promulgated the Cybersecurity Review Measures (Exposure Draft), which, together with the Article 35 of the Cybersecurity Law, focuses on the cyber security review. It has clear and detailed provisions on the review object, review scope and review process, and provides guidance for law enforcement agencies.

On May 28, 2019, the Cyberspace Administration of the PRC promulgated the Administrative Measures on Data Security, which further stipulates the network security protection obligations that network operators should perform under the PRC Cybersecurity Law, clarifies the standards for the collection, processing, using and security supervision of personal information and important data, and states that network operators shall make a filing with the local cyberspace administration when they collect important data or sensitive personal information for the purposes of business operations, any network operator that collects and uses personal information through products such as websites and applications shall develop and disclose the rules for collection and use separately.

In October 2019, the Information Security Technology - Personal Information Security Specification (Exposure Draft) was published to seek comments from the general public. Although the draft is a national recommended standard but not legally enforceable, from a practical point of view, existing internet companies were inquired by the Cyberspace Administration of the PRC for not conforming to the draft's spirit and ordered to make rectification. In January 2020, National Information Security Standardization Technical Committee promulgated Information Security Technology - Basic Specification for the Collection of Personal Information by Mobile Internet Application (App) (Exposure Draft). This draft clarifies the basic requirements that mobile Internet applications should meet to collect personal information, which means that APP developers and operators who collect user's personal information shall strictly comply with the requirement.

In December 2019, the Cyberspace Administration of China promulgated Provisions on the Ecological Governance of Network Information Contents, which took effect on March 1, 2020. Its goal is to meet the requirement of a network comprehensive management system and promote and create a good network ecology and network space. It specifies the obligations of network information content producers, network information content service platforms and network information content service users regarding related ecological governance.



### *Regulations Relating to Intellectual Property Rights*

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

*Copyright.* Pursuant to the Copyright Law and its implementation rules, creators of protected works enjoy personal and property rights, including, among others, the right of disseminating the works through information networks. Pursuant to the relevant PRC regulations, rules and interpretations, internet service providers will be jointly liable with the infringer if they (a) participate in, assist in or abet infringing activities committed by any other person through the internet, (b) are or should be aware of the infringing activities committed by their website users through the internet, or (c) fail to remove infringing content or take other action to eliminate infringing consequences after receiving a warning with evidence of such infringing activities from the copyright holder. To comply with these laws and regulations, we have implemented internal procedures to monitor and review the content we have licensed from content providers before releasing on our website and remove any infringing content promptly after we receive notice of infringement from the legitimate rights holder.

*Trademark.* The Trademark Law and its implementation rules protect registered trademarks. The PRC Trademark Office of State Administration of Industry and Commerce is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. As of December 31, 2020, we had approximately one (1) trademark applications in China.

*Domain Name.* Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by the MIIT on November 1, 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the CNNIC is responsible for the daily administration of .cn domain names and Chinese domain names. CNNIC adopts the "first to file" principle with respect to the registration of domain names. We have registered [www.mercurity.com](http://www.mercurity.com).

On November 27, 2017, the MIIT issued the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services. Pursuant to this notice, internet access service providers shall, via the Record-filing System, regularly check the use of domain names by Internet-based information service providers, and shall, in the case that a domain name does not exist or is expired or has no real identity information, cease the provision of access services for the Internet-based information service provider concerned.

### *Regulations Relating to Employment*

The Labor Contract Law and its implementation rules provide requirements concerning employment contracts between an employer and its employees. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations, which significantly affects the cost of reducing workforce for employers. In addition, if an employer intends to enforce a non-compete provision with an employee in an employment contract or non-competition agreement, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or ending of the labor contract. Employers in most cases are also required to provide a severance payment to their employees after their employment relationships are terminated.

Enterprises in the PRC are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. According to the Regulations on Management of Housing Fund, an enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement. We have not made adequate contributions to employee benefit plans, as required by applicable PRC laws and regulations.



### *Regulations Relating to Dividend Withholding Tax*

Pursuant to the Enterprise Income Tax Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced withholding tax: (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Furthermore, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties (For Trial Implementation), which became effective in October 2009, require that non-resident enterprises must obtain approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. In November 2015, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties became effective and repealed the Trial Implementation, which was later replaced by the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits promulgated by State Taxation Administration in October 2019. Pursuant to the new Measures, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of "self-assessment, claiming benefits, retention of the relevant materials for future inspection." Non-resident taxpayers who satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, instead of being subject to approvals, simultaneously gather and retain the relevant materials pursuant to the provisions of these measures for future inspection and be subject to follow-up administration by the tax authorities.

Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission, and the Ministry of Commerce on the Applicable Scope of the Policy of Temporary Exemption of Withholding Taxes on the Direct Investment Made by Overseas Investors with Distributed Profits, or Circular 102, which became effective in January 2018, where an overseas investor uses profits distributed by a resident enterprise in the PRC for direct investment in an encouraged investment project, deferred tax payment policy shall apply if the stipulated criteria is satisfied, and withholding of income tax shall be waived in the interim.

### *Regulations Relating to Foreign Exchange*

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations, most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of foreign currency-denominated loans.

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular No. 142, regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular No. 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC. SAFE also strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of such RMB capital may not be changed without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. In March 2015, SAFE issued SAFE Circular No.19, which took effect and replaced SAFE Circular No. 142 from June 1, 2015. Although SAFE Circular No.19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, the restrictions continue to apply as to foreign-invested enterprises' use of the converted RMB for purposes beyond the business scope, for entrusted loans or for inter-company RMB loans. The sixth article of SAFE Circular No.19 relating to the administration of the exchange settlement and use of the capital in the foreign exchange account under other direct investments has been abolished by SAFE Circular No.39 in 2019.

In November 2012, SAFE promulgated the Circular on Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, and amended it in May 2015, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts (e.g. pre-establishment expenses account, foreign exchange capital account, guarantee account), the reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment), and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer require SAFE approval, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible before. The Appendix 1 and 2 have been abolished by SAFE Circular No.39 in 2019. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. The Appendix 3 and Article 11 in the Appendix 1 which stipulates that the foreign exchange bureaus shall implement annual inspection on foreign investment enterprises pursuant to the relevant provisions of the State have been abolished by SAFE Circular No.39 in 2019.

In February 2015, SAFE promulgated the Circular on Further Simplifying and Improving the Policies Concerning Foreign Exchange Control on Direct Investment, or SAFE Circular No. 13, which took effect on June 1, 2015. SAFE Circular No. 13 delegates the authority to enforce the foreign exchange registration in connection with the inbound and outbound direct investment under relevant SAFE rules to certain banks and therefore further simplifies the foreign exchange registration procedures for inbound and outbound direct investment. SAFE Circular No.13 has been partially abolished by SAFE Circular No.39 in 2019.

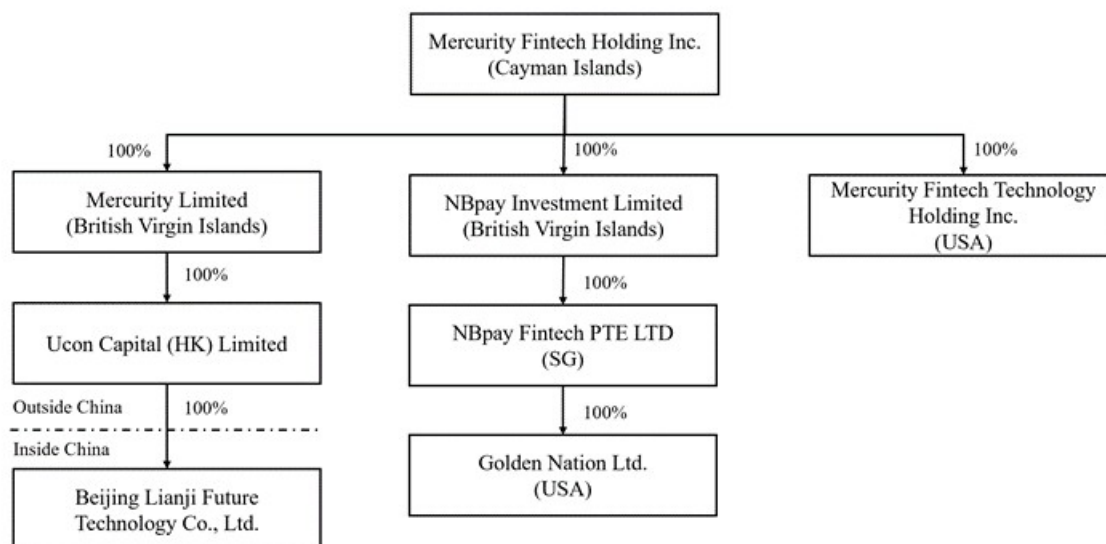
*The Holding Foreign Companies Accountable Act and the Accelerating Holding Foreign Companies Accountable Act*

Our ordinary shares may be prohibited from trading on a national exchange or "over-the-counter" markets under the Holding Foreign Companies Accountable Act (the "HFCAA") if the Public Company Accounting Oversight Board ("PCAOB") determines that it is unable to inspect or fully investigate our auditor and as a result the exchange where our securities are traded may delist our securities. Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act (the "AHFCAA"), which was signed into law on December 29, 2022, amending the HFCAA and requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchange if its auditor is not subject to PCAOB inspections for two consecutive years instead of three consecutive years. Pursuant to the HFCAA, the PCAOB issued a Determination Report on December 16, 2021, which found that the PCAOB was unable to inspect or investigate completely certain named registered public accounting firms headquartered in mainland China and Hong Kong.

Our independent registered public accounting firm is headquartered in Singapore and has been inspected by the PCAOB on a regular basis and as such, it is not affected by or subject to the PCAOB's 2021 Determination Report. On August 26, 2022, the SEC issued a statement announcing that the PCAOB signed a Statement of Protocol with the CSRC and the Ministry of Finance of the People's Republic of China governing inspections and investigations of audit firms based in China and Hong Kong, jointly agreeing on the need for a framework. On December 15, 2022, the PCAOB announced that it has secured complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate the previous 2021 Determination Report to the contrary. Notwithstanding the foregoing, in the future, if there is any regulatory change or step taken by regulators that does not permit our auditor to provide audit documentations to the PCAOB for inspection or investigation, shareholders may be deprived of the benefits of such inspection which could result in limitation or restriction to our access to the U.S. capital markets and trading of our securities, including trading on the national exchange and trading on "over-the-counter" markets, may be prohibited under the HFCAA and AHFCAA and/or PCAOB may consider the need to issue new determinations consistent with the HFCAA and Rule 6100. See "Risk Factors - Risks Relating to Doing Business in China."

**C. Organizational Structure**

The following diagram illustrates our corporate structure before writing off NBpay Investment Limited and its subsidiaries and before incorporating Chance Securities, Inc.



On December 24, 2021, our board decided to dismantle the VIE structure and divest Beijing Lianji Technology Co., Ltd. and Mercurity (Beijing) Technology Co., Ltd., which were controlled by the VIE agreement, due to the impact of the adverse policies issued by the Chinese government on the original business.

On January 15, 2022, Beijing Lianji Future Technology Co., Ltd., Beijing Lianji Technology Co., Ltd.(VIE), signed a Termination Agreement Re Existing Control Documents with Wang Zhiyou and Zhou Jie, the 2b3np shareholders of Beijing Lianji Technology Co., Ltd.. According to the agreement, from the date hereof, each Party no longer retains any right under the Existing Control Documents and no longer needs to perform any obligation under the Existing Control Documents. However, the rights and obligations actually exercised by each Party based on any Existing Control Documents shall remain effective. Any income or other benefits of any nature funds obtained or actually received by any Party based on the Existing Control Documents need not be returned to the opposite Party, and the existing accounts receivable and payable between the Parties shall still be paid. Meanwhile, Beijing Lianji Future Technology Co., Ltd., Beijing Lianji Technology Co., Ltd., Ucon Capital (HK) Limited, Mercurity Limited and Mercurity Fintech Holding Inc. jointly signed an Agreement on Modification of Customer's Rights and Obligations. Beijing Lianji Technology Co., Ltd. transferred all of its receivables and other creditor's rights to Beijing Lianji Future Technology Co., Ltd., and all debts owned by Beijing Lianji Technology Co., Ltd. to Ucon Capital (HK) Limited, Mercurity Limited and Mercurity Fintech Holding Inc were borne by Beijing Lianji Future Technology Co., Ltd..

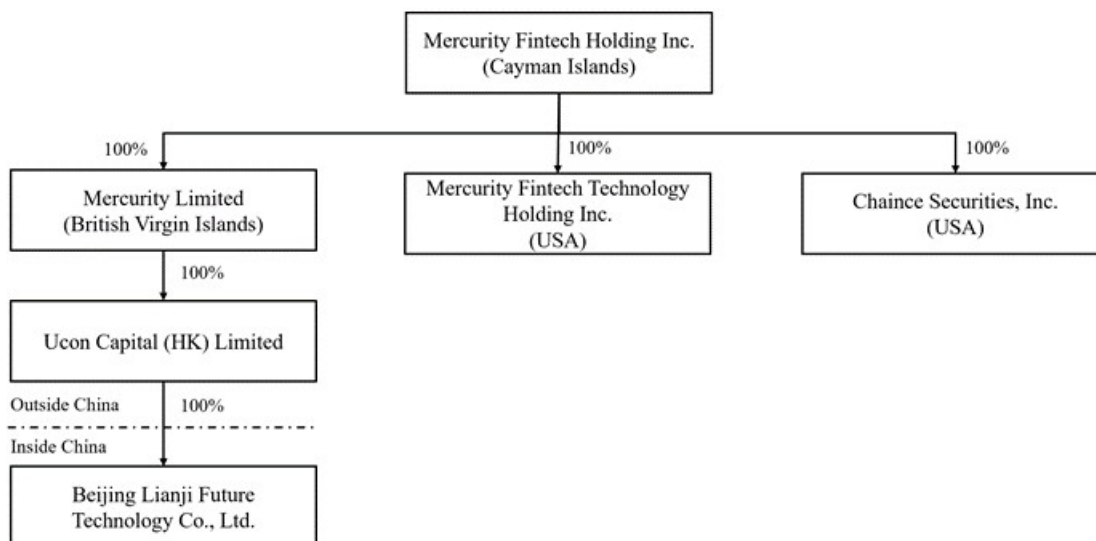
On January 15, 2022, Beijing Lianji Future Technology Co., Ltd., Mercurity (Beijing) Technology Co., Ltd. (VIE), signed a Termination Agreement Re Existing Control Documents with Wang Zhiyou, the shareholders of Beijing Lianji Technology Co., Ltd.. According to the agreement, from the date hereof, each Party no longer retains any right under the Existing Control Documents and no longer needs to perform any obligation under the Existing Control Documents. However, the rights and obligations actually exercised by each Party based on any Existing Control Documents shall remain effective. Any income or other benefits of any nature funds obtained or actually received by any Party based on the Existing Control Documents need not be returned to the opposite Party, and the existing accounts receivable and payable between the Parties shall still be paid. Meanwhile, Beijing Lianji Future Technology Co., Ltd., Mercurity (Beijing) Technology Co., Ltd., Ucon Capital (HK) Limited, Mercurity Limited and Mercurity Fintech Holding Inc. jointly signed an Agreement on Modification of Customer's Rights and Obligations. Mercurity (Beijing) Technology Co., Ltd. transferred all of its receivables and other creditor's rights to Beijing Lianji Future Technology Co., Ltd., and all debts owned by Mercurity (Beijing) Technology Co., Ltd. to Ucon Capital (HK) Limited, Mercurity Limited and Mercurity Fintech Holding Inc were borne by Beijing Lianji Future Technology Co., Ltd..

On July 15, 2022, we incorporated Mercury Fintech Technology Holding Inc. ("MFH Tech") in the U.S., which plans to develop distributed computing and storage services and digital consultation services.

On January 28, 2023, we decided to write off NBpay Investment Limited and its subsidiaries, which are all shell companies without any assets, employees or business. After the adjustment of the above corporate structure, we will utilize MFH Tech, the US subsidiary, as the operating entity of distributed computing and storage services business (including cryptocurrency mining) and digital consultation services business in North America, and will take Mercury Limited and its Hong Kong and China subsidiaries as the operating entities of blockchain technical services business and digital consultation services business in the Asia-Pacific region. As of the date of this annual report, the writing off of NBpay Investment Limited and its subsidiaries is still in progress.

On April 12, 2023, the Company completed the incorporation of another US subsidiary, Chaince Securities, Inc., which plans to develop online and traditional brokerage services independently in the future.

The following diagram illustrates our corporate structure after writing off NBpay Investment Limited and its subsidiaries and after incorporating Chaince Securities, Inc. Please refer to exhibit 8.1 for a list of our subsidiaries as of December 31, 2022.



#### D. Property, Plants and Equipment

##### *Property Owned*

For the financial year ended December 31, 2022, we did not own any real property.

##### *Leased Property*

Our executive offices are rented premises located at 1330 Avenue of Americas, Fl 33, New York, 10019, United States. Our headquarters occupy a total of 5,730 square feet. The lease of our headquarter office has a term of one calendar year, from November 1, 2022 to September 29, 2025 for an annual rent of approximately \$374,169. We recognized the right-of-use assets and the lease liabilities in accordance with the lease accounting standards, and as of December 31, 2022, the balance of the right-of-use assets was \$873,878 and the balance of lease liabilities was \$904,132.

In addition, our Shenzhen office (the "Shenzhen Office") is located at Room 1215, Xin'nan Block No.2, Yuehai Street, Nanshan District, Shenzhen City, 518000, Guangdong Province, People's Republic of China. The Shenzhen Office has the office space of approximately 195 square meters (approximately 2,099 square feet), a one-year lease for an annual base rent of \$52,195. The lease for the Shenzhen Office commenced in June 2022 and shall expire in October 2023.

#### ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

#### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could 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" and elsewhere in this annual report on Form 20-F.*

##### A. Operating Results

###### Overview

In August 2021, we added cryptocurrency mining as one of our main businesses going forward. We entered into cryptocurrency mining pools by executing a business contract with a collective mining service provider on October 22, 2021 to provide computing power to the mining pool and derived USD\$664,307 related revenue in 2021 and USD\$783,089 related revenue in the first half of 2022.

Due to the extremely adverse regulatory measures taken by the Chinese government in 2021 in the field of digital currency production and transaction, our board of directors decided on December 10, 2021 to divest the Chinese companies of the related business controlled through VIE agreements, and the divestiture was completed on January 15, 2022. The disposal of the VIE entities generated a loss of \$4,664.

In late February 2022, Wei Zhu, our former acting Chief Financial Officer, former Co-Chief Executive Officer, and a former member and Co-Chairperson of the Board, and Minghao Li, a former member of the Board, were suspected of certain criminal offenses unrelated to our company's operations and had been detained by the Economic Crime Investigation Detachment of Sheyang County Public Security Bureau, Yancheng City, Jiangsu Province, People's Republic of China, leading to that our hardware cold wallet and all cryptocurrencies held by Wei Zhu were seized and impounded by the Public Security Bureau.

Due to the dismantling of the VIEs and the cessation of all business related to the digital asset transaction platforms, as well as the temporary difficulties brought to us by the incident that our cryptocurrencies were out of control, the original Chinese technical team also left in the first half of 2022, and we failed to rebuild the technical service team in the second half of 2022. As a result, our blockchain technical services business did not generate any revenue in 2022.

In the second half of 2022, the board and the management of the Company changed and the future business plan was recalibrated again. The Company's business will include: 1) Distributed computing and storage services business, including cryptocurrency mining and distributed computing and storage services for more other application areas; 2) Digital consultation services, providing digital payment solutions, asset management, and a continued expansion into online and traditional brokerage services; 3) Blockchain technical services business, providing designing and developing digital asset transaction platforms, digital asset quantitative investment software and other innovative and derivative services based on blockchain technologies.

On July 15, 2022, we incorporated Mercurity Fintech Technology Holding Inc. ("MFH Tech") to develop distributed computing and storage services (including cryptocurrency mining) and digital consultation services. On August 23, 2022, MFH Tech signed a Consulting Agreement with a Chinese media company, pursuant to which MFH Tech will serve as an independent contractor in order to facilitate the Client to conduct its initial public offering, and derived USD\$80,000 related revenue in 2022.

On December 15, 2022, we entered into an asset purchase agreement with Huangtong International Co., Ltd., providing for the acquisition and purchase of Web3 decentralized storage infrastructure, including cryptocurrency mining servers, cables, and other electronic devices, for an aggregate consideration of USD\$5,980,000, payable in our ordinary shares. The investment is made with an aim to own mining machines capable of gathering, processing, and storing vast amounts of data, to advance the cryptocurrency mining business, and to further solidify us as a pioneer in the creation of the Web3 framework. On December 20, 2022, the assets began to be used for Filecoin mining operations and derived USD\$348 related revenue in 2022.

On January 10, 2023, we entered into an asset purchase agreement with Jinhe Capital Limited, providing for the purchase of 5,000 Antminer S19 PRO Bitcoin mining machines, for an aggregate consideration of USD\$9,000,000. These machines will be delivered by July 10, 2023, and will be used for physical Bitcoin mining business.

On January 28, 2023, we decided to write off NBpay Investment Limited and its subsidiaries, which are all shell companies without any assets, employees or business. After the adjustment of the above corporate structure, we will take MFH Tech, the US subsidiary, as the operating entity of distributed computing and storage services (including cryptocurrency mining) and digital consultation services business, and will our Hong Kong and China subsidiaries as the operating entities of the blockchain technical services and digital consultation services business in the Asia-Pacific region, and we will establish a new technical services team in China.

On April 12, 2023, we completed the incorporation of another US subsidiary, Chaince Securities, Inc., which plans to develop online and traditional brokerage services independently in the future.

## Key Components of Results of Operations

### Revenue

The table below sets forth our Revenue in aggregate and by service type therein for the three years:

	For the year Ended December 31,		
	2022	2021	2020
	US\$	US\$	US\$
<b>Revenue:</b>			
Technical services	—	5,864	1,402,300
Cryptocurrency mining	783,438	664,307	—
Consultation services	80,000	—	—
<b>Total Revenue</b>	<b>\$ 863,438</b>	<b>\$ 670,171</b>	<b>\$ 1,402,300</b>

We generated total revenue on a consolidated basis in the amounts of \$1,402,300, \$670,171 and \$863,438 for the year ended December 31, 2020, 2021 and 2022.

#### *Technical services*

Due to the dismantling of the VIEs and the cessation of all business related to the digital asset transaction platforms, as well as the temporary difficulties brought to us by the incident that our cryptocurrencies were out of control, the original Chinese technical team also left in the first half of 2022, and we failed to rebuild the technical service team in the second half of 2022. As a result, our blockchain technical services business did not generate any revenue in 2022.

Due to the change of the management and technical team in 2021, the original business contract discontinued, resulting in the blockchain technical services revenue of only \$128,207 for the year ended December 31, 2021, of which \$122,343 revenue generated by the VIE entities subject to divestment is shown as Loss/income from discontinued operations in the consolidated income statement, and \$5,864 is shown as Revenue in the consolidated income statement.

We generated total revenue on a consolidated basis in the amounts of \$1,402,300 for the year ended December 31, 2020, all from our blockchain technical services business. The Revenue did not include Revenue of \$79,289 generated by VIE entities subject to divestment. These Revenue from VIE entities are reclassified under loss/income from discontinued operations in the consolidated income statement.

### *Cryptocurrency mining*

We earned 18.86491222 Bitcoins from participation in Bitcoin shared mining and recognized revenue of \$783,090 based on the daily market price at the time the Bitcoins were acquired in 2022, and we earned 115.49 Filecoins from participation in Filecoin physical mining and recognized revenue of \$348 based on the daily market price at the time the Bitcoins were acquired in 2022.

We generated total revenue on a consolidated basis in the amounts of \$670,171 for the year ended December 31, 2021. Among them, we earned 11.75513345 Bitcoins from participation in Bitcoin shared mining and recognized revenue of \$664,307 based on the daily market price at the time the Bitcoins were acquired in 2021.

### *Consultation services*

We signed a Consulting Agreement with a Chinese customer and we serve as an independent contractor in order to facilitate the client to conduct its initial public offering, and derived \$80,000 related revenue in 2022.

### **Cost of Revenue**

The table below sets forth our cost of Revenue in aggregate and by service type therein for the three years:

	For the year Ended December 31,		
	2022	2021	2020
	US\$	US\$	US\$
<b>Cost of Revenue:</b>			
Technical services	—	—	(79,150)
Cryptocurrency mining	(1,361,600)	(702,679)	—
Consultation services	(19,000)	—	—
<b>Total cost of Revenue</b>	<b>\$ (1,380,600)</b>	<b>\$ (702,679)</b>	<b>\$ (79,150)</b>

### *Technical services*

We did not generate any blockchain technical services revenue in 2022, nor did we incur any technical services costs.

Our cost of blockchain technical services Revenue consist of the payroll of technical personnel. Our cost of blockchain technical services Revenue was \$nil in the consolidated income statement for the year ended December 31, 2021. In addition, \$41,537 cost of blockchain technical services Revenue for the year ended December 31, 2021 generated by the VIE entities subject to divestment is shown as Loss/income from discontinued operations in the consolidated income statement.

Our cost of blockchain technical services Revenue for the year ended December 31, 2020 was \$79,150. In addition, \$75,116 cost of blockchain technical services Revenue for the year ended December 31, 2020 generated by the VIE entities subject to divestment is shown as Loss/income from discontinued operations in the consolidated income statement.

### *Cryptocurrency mining*

The cost of the Bitcoin shared mining operation includes the rental fee of the mining machine and the mine site, electricity and other possible operation and maintenance expenses. The cost of Bitcoin shared mining operations was recognized in 2022 in the amount of \$1,291,784, including \$1,036,741 for mining machines and mine leases and \$255,043 for electricity.

The cost of the Filecoin physical mining operation includes mining machine depreciation costs, mine site lease costs (including electricity), direct labor costs and software licensing costs. The cost of Filecoin physical mining operations was recognized in 2022 in the amount of \$69,817, including mining machine depreciation costs of \$28,950, mine lease costs (including electricity) of \$22,075, direct labor costs of \$4,000, and software licensing costs of \$14,792.

The cost of Bitcoin shared mining operations was recognized in 2021 in the amount of \$702,679, including \$563,955 for mining machines and mine leases and \$138,724 for electricity.

### Consultation services

The cost of consultation services consists primarily of payroll of the consultation project team. We generated \$19,000 of the cost of consultation services in 2022.

### Operating Expenses

The table below sets forth our operating expenses from continuing operations for the three years:

	For the year Ended December 31,		
	2022	2021	2020
	US\$	US\$	US\$
<b>Operating expenses:</b>			
Sales and marketing	(35,000)	—	—
General and administrative	(2,156,063)	(10,351,357)	(1,156,574)
Provision for doubtful accounts	(3,138)	(1,750,909)	—
(Loss)/income on disposal of intangible assets	(29,968)	121,020	—
Impairment loss of intangible assets	(3,144,053)	(1,292,568)	(835,344)
<b>Total operating expenses</b>	<b>\$ (5,368,222)</b>	<b>\$ (13,273,814)</b>	<b>\$ (1,991,918)</b>

Our operating expenses consist of sales and marketing expenses, general and administrative expenses, provision for doubtful accounts, (loss)/income on disposal of intangible assets and impairment loss of intangible assets. Our total operating expenses were \$1,991,918, \$13,273,814 and \$5,368,222 for the year ended December 31, 2020, 2021 and 2022.

### Sales and marketing expenses

On August 23, 2022, our US subsidiary MFH Tech signed a Consulting Agreement with a Chinese media company, pursuant to which MFH Tech will serve as an independent contractor in order to facilitate the Client to conduct its initial public offering. We paid \$35,000 to the client's referral agent and we recognized it as sales and marketing expenses in the consolidated statements of operations for the year ended December 31, 2022.

The definition of our main business has undergone some restructuring in recent years, and as it becomes more well-defined, and as current structural business investments mature and begin to yield revenue, we have plans to steadily increase our marketing and promotional investment and efforts.

### General and administrative expenses

Our general and administrative expenses consist primarily of (i) salaries and benefits for employees, which are the salaries and benefits for our management, merchant service representatives and general administrative staff, (ii) office expenses, which consist primarily of office rental, maintenance and utilities expenses, depreciation of office equipment and other office expenses, and (iii) professional expenses, which consist primarily of legal expense and audit fees.

We restructured the board of directors in May 2022 and again in October 2022, and our management had undergone significant changes. The total salaries and benefits for employees for 2022 are \$1,374,839, with \$816,444 paid in cash and \$558,395 in stock. The total professional expenses for 2022 are \$581,557, including \$367,524 legal expenses. The total other office expenses are \$199,667.

In 2021, due to the changes in our core management and business teams, many employees participating in our stock incentive plan were allowed to accelerate the vesting of their shares that have not yet reached the vesting period. Combined with the impact of the implementation of the additional stock incentive plan in 2021, our stock incentive expenses recognized in 2021 were \$8,349,862. In addition, as a result of these changes, our professional expenses such as lawyers and financial consultants were \$1,156,125 in 2021. The total general and administrative expenses of 2021 were \$12,354,241.

We recorded \$1,991,918 general and administrative expenses for the year ended December 31, 2020, which primarily was employment cost.



While our operating expenses currently remain relatively low, we expect, as our recent investments in future business lines capture increasing revenues, to apply major reinvestments into the operations of all of our promising current investments and core business including R&D, hiring expert staff, and efforts to support the further global expansion of our business.

*Provision for doubtful accounts*

Our losses from provision for doubtful accounts for 2022 were all due to other receivables that could not be collected.

Due to the changes of our management and business team in the second half of 2021, we failed to collect the blockchain technical services receivable \$1,092,208 from BGA FOUNDATION LTD and \$54,923 from Beijing Qichi Trading Ltd. in a timely manner. Our consolidated statements of operations for the year ended December 31, 2021 includes a full provision for doubtful accounts from the above accounts receivable.

*(Loss)/income on disposal of intangible assets*

Our intangible assets are all cryptocurrencies in recent three years. As we increased the cryptocurrency mining business as one of our main businesses in the second half of 2021, we classified cryptocurrencies as one part of our main operating assets and classified the loss or income from disposal of the cryptocurrencies as operating loss or income.

In January 2022, we sold 1,000,000 USD Coins to finance our daily operations and generated a loss of \$29,968.

In October 2021, we sold 10 Bitcoins to finance our daily operations and generated an income of \$121,001. We sold other cryptocurrencies and generated an income of \$19 in 2021.

*Impairment loss of intangible assets*

Due to the price crash of Bitcoin in 2022, we, out of caution, decided to change the impairment test method of Bitcoin and other cryptocurrencies from testing once or twice a year by calculating the fair value based on the average daily closing price of the past 12 months to testing every day by calculating the fair value based on the intraday low price. Because the intraday low price of cryptocurrencies to be utilized in calculating impairment of our cryptocurrencies held as that metric is the most accurate indicator of whether it is more likely than not that the asset is impaired.

We evaluated the materiality of the changes from qualitative and quantitative perspectives, and concluded that the changes were material to the Consolidated Balance Sheet as of December 31, 2021 and Consolidated Statements of Operations, Equity, and Cash Flows for the year ended December 31, 2021. We restated the impacted financial statements as of December 31, 2021, and for the year ended December 31, 2021, and related notes included herein to correct these changes.

We estimated the fair values of the cryptocurrencies based on the intraday low price every day and recognized \$3,144,053 impairment loss for the year ended December 31, 2022, including \$3,111,232 impairment loss of Bitcoins and \$5,864 impairment loss of other cryptocurrencies. We wrote off the original value of the \$5,864 cryptocurrencies and the \$5,864 impairment in 2022 due to the platform where the wallet of the \$5,864 cryptocurrencies was stored had gone out of business, we had been no longer able to withdraw the cryptocurrencies as of December 31, 2022.

We estimated the fair values of the cryptocurrencies based on the intraday low price every day and recognized \$1,292,568 impairment loss for the year ended December 31, 2021, including \$908,453 impairment loss of Bitcoins, \$11,120 impairment loss of USD Coins and \$372,995 impairment loss of FFcoins and other cryptocurrencies. We wrote off the original value of the \$1,208,339 FFcoins and other cryptocurrencies and the \$1,208,339 impairment in 2021 due to the FFcoin platform had gone out of business, these FFcoins and other cryptocurrencies no longer had any market value as of December 31, 2021.

We estimated the fair values of other cryptocurrencies we held and recognized \$835,344 impairment loss for the year ended December 31, 2020.

### ***Goodwill impairment loss***

\$8,107,013 goodwill impairment loss generated by the VIE entities subject to divestment is shown as Loss/income from discontinued operations in the consolidated income statement for the year ended December 31, 2021.

### ***Loss from disposal of subsidiaries***

Due to the extremely adverse regulatory measures taken by the Chinese government in 2021 in the field of digital currency production and transaction, the Company's board of Directors decided on December 10, 2021 to divest the Chinese companies of the related business controlled through VIE agreements, and the divestiture was completed on January 15, 2022. The financial statements of the Company for the year ended December 31, 2022 recognized the loss from disposal of VIEs as \$4,664.

### **Interest Income**

Our interest income consists primarily of the interest income from our cash and short-term deposits with banks and compensation received for payments we made on behalf of the divested business. As of December 31, 2022, we did not incur borrowing interest expense.

### **Other Income**

Other income consists primarily of the gain generated from the government subsidies.

### **Critical Accounting Policies**

The preparation of our consolidated financial statements and related notes requires our management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses, and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our management has discussed the development, selection and disclosure of these estimates with our board of directors. Actual results may differ from these estimates under different assumptions or conditions. An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different 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 believe that the following critical accounting policies are the most sensitive and require more significant estimates and assumptions used in the preparation of our consolidated financial statements.

You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.

### **Revenue Recognition**

The Company generates Revenue primarily from cryptocurrency mining and consultation services in the year ended December 31, 2022.

On January 1, 2019, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers ("ASC 606"), which supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition ("ASC 605"), using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606, while prior period amounts have not been adjusted and continue to be reported in accordance with historic accounting under ASC 605. The impact of adopting the new revenue standard was not material to consolidated financial statements and there was no adjustment to beginning retained earnings on January 1, 2019.

Under ASC 606, an entity recognizes revenue as the Company satisfies a performance obligation when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services it transfers to the customer.

Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations it must deliver and which of these performance obligations are distinct. The Company recognizes revenue based on the amount of the transaction price that is allocated to each performance obligation when that performance obligation is satisfied or as it is satisfied.

The Company's revenue recognition policies effective on the adoption date of ASC 606 are as follows:

#### *Cryptocurrency mining*

The Company has entered into cryptocurrency mining pools by executing contracts with the mining pool operators or executing contracts with the sharing mining service providers to provide computing power or storage capacity to the mining pool. The contracts are terminable at any time by either party and the Company's enforceable right to compensation only begins when the Company provides computing power or storage capacity to the mining pool operator. In exchange for providing computing power or storage capacity, the Company is entitled to a fractional share of the fixed digital assets award the mining pool operator receives, for successfully adding a block to the blockchain. The Company's fractional share is based on the proportion of computing power or storage capacity the Company contributed to the mining pool operator to the total computing power or storage capacity contributed by all mining pool participants in solving the current algorithm.

Providing computing power or storage capacity in digital asset transaction verification services is an output of the Company's ordinary activities. The provision of such computing power or storage capacity is the only performance obligation in the Company's contracts with mining pool operators or contracts with the sharing mining service providers. The transaction consideration the Company receives, if any, is noncash consideration, which the Company measures at fair value on the date received, which is not materially different than the fair value at contract inception or the time the Company has earned the award from the pools. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the mining pool operator successfully places a block (by being the first to solve an algorithm) and the Company receives confirmation of the consideration it will receive, at which time revenue is recognized. There is no significant financing component in these transactions.

Fair value of the digital assets award received is determined using the quoted price of the related digital assets at the time of receipt. There is currently no specific definitive guidance under US GAAP or alternative accounting framework for the accounting for digital assets recognized as revenue or held, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the FASB, the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

For the year ended December 31, 2022, the Company earned \$783,090 in Bitcoin mining revenue from shared mining operations and \$348 in Filecoin mining revenue from physical mining operations.

#### *Consultation services*

Considering that the contents of different projects of the Company's consultation service business varies greatly, we adopt the percentage-of-completion method to measure and recognize revenue for each consultation service project.

The percentage-of-completion method recognizes income as work on a contract (or group of closely related contracts) progresses. The recognition of Revenue and profits is generally related to costs incurred in providing the services required under the contract.

On August 23, 2022, the Company signed a Consulting Agreement with a Chinese media company, pursuant to which the Company will serve as an independent contractor in order to facilitate the Client to conduct its initial public offering. As of December 31, 2022, the project was approximately 50% on schedule and the Company recognized consultation service revenue of \$80,000 for the year ended December 31, 2022 in line with the completion schedule.

#### *Technical services*

For software development, the Company recognizes revenue over time as the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The Company generally recognizes revenue using an input method with revenue amounts being recognized proportionately as costs are incurred relative to the total expected costs to satisfy the performance obligation. The Company believes that costs incurred as a portion of total estimated costs is an appropriate measure of progress towards satisfaction of the performance obligation since this measure reasonably depicts the progress of the work effort.

Service other than those associated with the design, development, creation, testing, installation, configuration, integration and customization of fully operational software. It may be a service performance obligation, which is distinct from performance obligation for software development. Our services are provided to customers for a fixed amount over the contract service period and revenue is recognized on a straight-line basis over the term of the contract.

None cost of blockchain technical services Revenue were generated in 2022.

#### **Intangible Assets**

Intangible assets with indefinite useful life are not amortized and are tested for impairment annually or more frequently, if events or changes in circumstances indicate that they might be impaired in accordance with ASC Subtopic 350-30, Intangibles-Goodwill and Other: General Intangibles Other than Goodwill ("ASC 350-30").

The intangible assets of the Company are cryptocurrencies which are measured at cost. The cryptocurrencies received from cryptocurrency mining operations recognize the cost of intangible assets based on the market price at the time of acquisition.

Due to the price crash of Bitcoin in 2022, we, out of caution, decided to change the impairment test method of Bitcoin and other cryptocurrencies from testing once or twice a year by calculating the fair value based on the average daily closing price of the past 12 months to testing every day by calculating the fair value based on the intraday low price. Because the intraday low price of cryptocurrencies to be utilized in calculating impairment of our cryptocurrencies held as that metric is the most accurate indicator of whether it is more likely than not that the asset is impaired.

We evaluated the materiality of the changes from qualitative and quantitative perspectives, and concluded that the changes were material to the Consolidated Balance Sheet as of December 31, 2021 and Consolidated Statements of Operations, Equity, and Cash Flows for the year ended December 31, 2021. We restated the impacted financial statements as of December 31, 2021, and for the year ended December 31, 2021, and related notes included herein to correct these changes.

#### **Impairment of Goodwill**

Goodwill represents the cost of an acquired business in excess of the fair value of tangible and identifiable intangible net assets purchased. We assign all the assets and liabilities of an acquired business, including goodwill, to reporting units.

Specifically, goodwill impairment is determined using a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being a discounted cash flow.

Goodwill is tested for impairment at least once annually or more frequently if we believe indications of impairment exist. Impairment is tested using a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill.

If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Estimating the fair value of reporting unit is performed by the DCF method.

We had determined to perform the annual impairment tests on December 31 of each year. The \$8,107,014 goodwill as of December 31, 2020 was attributable solely to the Mercurity Limited and NBPAY business. In 2021, there was a change in our management and business team. Our business plan was reformulated and we had decided to discontinue the original business of Mercurity Limited and NBPAY due to the highly adverse regulatory measures taken by the Chinese government in the second half of 2021 on the production and trading of digital currency. As a result, we recognized the impairment loss of goodwill of \$8,107,014 for the year ended December 31, 2021, which is shown as loss from discontinued operations in the consolidated income statement.

## **Income Taxes**

We follow the liability method in accounting for income taxes in accordance with ASC topic 740 ("ASC 740"), Income Taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. We record a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized.

We apply the provision of ASC 740 to account for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the consolidated financial statements.

We have elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the consolidated statements of operations.

Our group includes entities incorporated in various jurisdictions throughout the world including the Cayman Islands, the British Virgin Islands, the United States, Singapore, Hong Kong the People's Republic of China. Most of these entities are either holding companies or non-operating entities. As a result, they are either not subject to any taxes in their respective local jurisdictions or did not generate any income for tax purposes.

The applicable taxation for our main operating entities is as follows:

### *Cayman*

Under the current laws of the Cayman Islands, the Company is not subject to tax on its income or capital gains.

### *Hong Kong*

Under the Hong Kong tax laws, the Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax rate at 16.5%. No provision for Hong Kong profits tax was made for each of the three years ended December 31, 2022 on the basis that the Company's Hong Kong subsidiaries did not have any assessable profits arising in or derived from Hong Kong for those years.

### *Singapore*

On March 2, 2020, the Company acquired NBpay's subsidiary NBpay Fintech Pte Ltd. Under the Singapore tax laws, the Company's subsidiary in Singapore is subject to Singapore profits tax rate at 17%. No provision for Singapore profits tax was made for the year ended December 31, 2022 on the basis that the taxable income of the Company's Singapore subsidiary was less than the exempted amount.

### *People's Republic of China*

The enterprise income tax ("EIT") law applies a uniform 25% EIT rate to both foreign invested enterprises and domestic enterprises. The EIT rate for the Company's entities operating in the PRC is 25%.

### *United States*

On July 15, 2022, the Company incorporated Mercurity Fintech Technology Holding Inc. in New York, which plans to develop digital consultation services. In accordance with the New York State Corporate Income Tax Law, the New York State corporate income tax rate applicable to the company in the year ended December 31, 2022 is 6.5%, and \$570 income taxes was credited to the Company. In accordance with the Federal Corporate Income Tax Law, the Federal corporate income tax rate applicable to the company in the year ended December 31, 2022 is 21%, and \$1,724 income taxes was credited to the Company.

### **Share-based Payments**

Share-based payment awards with employees are measured based on the grant date fair value of the equity instrument issued, and recognized as compensation costs using the straight-line method over the requisite service period, which is generally the vesting period of the options, with a corresponding impact reflected in additional paid-in capital. For share-based payment awards with market conditions, such market conditions are included in the determination of the estimated grant-date fair value. In the second quarter of 2017, we elected to early adopt ASU No. 2016-09, *Compensation Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting*, to account for forfeitures as they occur. The cumulative-effect adjustment to accumulated deficits was nil as a result of the adoption of ASU 2016-09.

A change in any of the terms or conditions of share-based payment awards is accounted for as a modification of awards. We measured the incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified, based on the share price and other pertinent factors at the modification date. For vested awards, we recognize incremental compensation cost in the period the modification occurred. For unvested awards, we recognize, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

Since our initial public offering in April 2015, the determination of the fair value of the ordinary shares has been based on the market price of our ADSs and ordinary shares traded on the Nasdaq Market.

On February 1, 2011, the Board of Directors approved our 2011 Share Incentive Plan ("2011 Plan"). The 2011 Plan provides for the grant of options, restricted shares, and other share-based awards. We recognized compensation cost on the share options and restricted shares to employees under 2011 Plan on a straight-line basis over the requisite service period. On March 1, 2021, due to a big change in our major shareholders, the management announced that all motivated employees under the 2021 Plan could accelerate the exercise of all RSUs that had been granted but had not yet reached the exercise period, with zero exercise price. We set March 1, 2021 as the modification date, and recalculate and recognized the compensation costs based on the share price on the modification date.

On November 24, 2020, the Board of Directors approved our 2020 Share Incentive Plan ("2020 Plan"). The 2020 Plan permits the awards of options, restricted shares, restricted share units or other types of awards approved by compensation committee of the board. We recognized compensation cost on the restricted shares to employees under 2020 Plan on a straight-line basis over the requisite service period.

On August 24, 2021, the Board approved our 2021 Share Incentive Plan ("2021 Plan"). The 2021 Plan permits the awards of restricted shares, restricted share units or other types of awards approved by compensation committee of the board. We recognized compensation cost on the restricted shares to employees under 2021 Plan on a straight-line basis over the requisite service period.

#### **Recent Accounting Pronouncements**

See Note 2 to our consolidated financial statements included elsewhere in this annual report.

#### **Results of Operations**

The following table presents selected financial data from our consolidated statements of operations for the periods indicated.

Due to the extremely adverse regulatory measures taken by the PRC government in 2021 on digital currency production and transaction, our board decided on December 10, 2021 to divest the PRC companies of the related business controlled through VIE agreements, and the divestiture was completed on January 15, 2022. Accordingly, assets and liabilities, Revenue and expenses, and cash flows related to the entities subject to divestment have been reclassified in the accompanying consolidated financial statements as discontinued operations for all periods presented. The consolidated statements of operations and the consolidated statements of cash flows for the year ended December 31, 2020 are adjusted retrospectively to reflect the change. As a result, the period-to-period comparisons of our results of operations can only provide very limited insight into the development of our operation and thus should not be relied upon as indicative of our future performance.

Due to the price crash of Bitcoin in 2022, we, out of caution, decided to change the impairment test method of Bitcoin and other cryptocurrencies from testing once or twice a year by calculating the fair value based on the average daily closing price of the past 12 months to testing every day by calculating the fair value based on the intraday low price. Because the intraday low price of cryptocurrencies to be utilized in calculating impairment of our cryptocurrencies held as that metric is the most accurate indicator of whether it is more likely than not that the asset is impaired. We evaluated the materiality of the changes from qualitative and quantitative perspectives, and concluded that the changes were material to the Consolidated Balance Sheet as of December 31, 2021 and Consolidated Statements of Operations, Equity, and Cash Flows for the year ended December 31, 2021. We restated the impacted financial statements as of December 31, 2021, and for the year ended December 31, 2021, and related notes included herein to correct these changes.

In the previously issued consolidated statements of operations for the year ended December 31, 2021, we did not clearly disclose the Provision for Doubtful Accounts, (Loss)/Income on disposal of intangible assets and Impairment loss of intangible assets, which were generally listed in Impairment Loss. We decided to restate these items in the current consolidated statement.

	For the year Ended December 31,		
	2022	2021	2020
	(US\$ in thousands, except share and share related data)		
<b>Revenue:</b>			
Technical services	—	6	1,402
Cryptocurrency mining	783	664	—
Consultation services	80	—	—
<b>Total revenue</b>	<b>\$ 863</b>	<b>\$ 670</b>	<b>\$ 1,402</b>
<b>Cost of revenue:</b>			
Technical services	—	—	(79)
Cryptocurrency mining	(1,362)	(703)	—
Consultation services	(19)	—	—
<b>Total Cost of revenue</b>	<b>\$ (1,381)</b>	<b>\$ (703)</b>	<b>\$ (79)</b>
<b>Gross profit</b>	<b>\$ (517)</b>	<b>\$ (33)</b>	<b>\$ 1,323</b>
<b>Operating expenses:</b>			
Sales and marketing	(35)	—	—
General and administrative	(2,156)	(10,351)	(1,157)
Provision for doubtful accounts	(3)	(1,751)	—
(Loss)/income on disposal of intangible assets	(30)	121	—
Impairment loss of intangible assets	(3,144)	(1,293)	(835)
Impairment loss of goodwill	—	—	—
<b>Total operating expenses</b>	<b>\$ (5,368)</b>	<b>\$ (13,274)</b>	<b>\$ (1,992)</b>
<b>Operating loss from continuing operations</b>	<b>\$ (5,885)</b>	<b>\$ (13,306)</b>	<b>\$ (669)</b>
Interest income, net	5	1	8
Other income/(Expenses), net	1	—	(33)
Loss from disposal of subsidiaries	(5)	—	—
<b>Loss before provision for income taxes</b>	<b>\$ (5,884)</b>	<b>\$ (13,305)</b>	<b>\$ (693)</b>
Income tax benefits	249	—	—
<b>Loss from continuing operations</b>	<b>\$ (5,635)</b>	<b>\$ (13,305)</b>	<b>\$ (693)</b>
<b>Discontinued operations:</b>			
Loss from discontinued operations	—	(8,360)	(958)
<b>Net loss</b>	<b>\$ (5,635)</b>	<b>\$ (21,666)</b>	<b>\$ (1,651)</b>
<b>Net loss attributable to holders of ordinary shares of Mercurity Fintech Holding Inc.</b>	<b>\$ (5,635)</b>	<b>\$ (21,666)</b>	<b>\$ (1,651)</b>



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

Due to the extremely adverse regulatory measures taken by the Chinese government in 2021 on digital currency production and transaction, the Company's board of Directors decided on December 10, 2021 to divest the Chinese companies of the related business controlled through VIE agreements, and the divestiture was completed on January 15, 2022. Accordingly, assets and liabilities, Revenue and expenses, and cash flows related to the VIE entities subject to divestment have been reclassified in the accompanying consolidated financial statements as discontinued operations for all periods presented. The consolidated statements of operations and the consolidated statements of cash flows for the year ended December 31, 2020 are adjusted retrospectively to reflect the change. Additionally, the presentation of the accompanying notes will not include the financial information for the year ended December 31, 2020 if they were nil due to the disposal and related classification within discontinued operations mentioned above.

*Revenue*

We generated total revenue on a consolidated basis in the amounts of \$863,438 for the year ended December 31, 2022, and \$670,171 for the year ended December 31, 2021.

Due to the dismantling of the VIEs and the cessation of all business related to the digital asset transaction platforms, as well as the temporary difficulties brought to us by the incident that our cryptocurrencies were out of control, the original Chinese technical team also left in the first half of 2022, and we failed to rebuild the technical service team in the second half of 2022. As a result, our blockchain technical services business did not generate any revenue in 2022. We earned 18,864,912,222 Bitcoins from participation in Bitcoin shared mining and recognized revenue of \$783,090 based on the daily market price at the time the Bitcoins were acquired in 2022, and we earned 115.49 Filecoins from participation in Filecoin physical mining and recognized revenue of \$348 based on the daily market price at the time the Bitcoins were acquired in 2022. We signed a Consulting Agreement with a Chinese customer and we serve as an independent contractor in order to facilitate the client to conduct its initial public offering, and derived \$80,000 related revenue in 2022.

Due to the change of the management and business team in 2021, the original business contract was discontinued, resulting in the blockchain technical services revenue of only US\$128,207 for the year ended December 31, 2021, of which US\$122,343 revenue generated by the VIE entities subject to divestment is shown as Loss/income from discontinued operations in the consolidated income statement, and US\$5,864 is shown as Revenue in the consolidated income statement. We earned 11,755,133,45 Bitcoins through our participation in Bitcoin shared mining and recognized revenue of US\$664,307 based on the daily market price at the time the Bitcoins were acquired for the year ended December 31, 2021.

*Cost of Revenue*

We generated total cost of Revenue on a consolidated basis in the amounts of \$1,380,600 for the year ended December 31, 2022, and \$702,679 for the year ended December 31, 2021.

We did not generate any blockchain technical services revenue in 2022, nor did we incur any technical services costs. The cost of the Bitcoin shared mining operation includes the rental fee of the mining machine and the mine site, electricity and other possible operation and maintenance expenses. The cost of Bitcoin shared mining operations was recognized in 2022 in the amount of \$1,291,784, including \$1,036,741 for mining machines and mine leases and \$255,043 for electricity. The cost of the Filecoin physical mining operation includes mining machine depreciation costs, mine site lease costs (including electricity), direct labor costs and software licensing costs. The cost of Filecoin physical mining operations was recognized in 2022 in the amount of \$69,817, including mining machine depreciation costs of \$28,950, mine lease costs (including electricity) of \$22,075, direct labor costs of \$4,000, and software licensing costs of \$14,792. The cost of consultation services consists primarily of payroll of the consultation project team. We generated \$19,000 of the cost of consultation services in 2022.

Our cost of blockchain technical services Revenue currently consists of the payroll of technical personnel. Our cost of blockchain technical services Revenue was \$nil in the consolidated income statement for the year ended December 31, 2021. In addition, US\$41,537 cost of blockchain technical services Revenue for the year ended December 31, 2021 generated by the VIE entities subject to divestment is shown as Loss/income from discontinued operations in the consolidated income statement. The cost of the Bitcoin shared mining operation includes the rental fee of the mining machine and the mine site, electricity and other possible operation and maintenance expenses. The cost of Bitcoin shared mining operations was recognized in 2021 in the amount of \$702,679, including \$563,955 for mining machines and mine leases and \$138,724 for electricity.

### *Operating expenses*

Our operating expenses consist of sales and marketing expenses, general and administrative expenses, provision for doubtful accounts, (loss)/income on disposal of intangible assets and impairment loss of intangible assets. Our total operating expenses were \$13,273,814 and \$5,368,222 for the year ended December 31, 2021 and 2022.

We paid \$35,000 to a client's referral agent for our digital consultation services business and we recognized it as sales and marketing expenses in the consolidated statements of operations for the year ended December 31, 2022. We did not generate any sales and marketing expenses directly for our main business in 2021.

Our general and administrative expenses consist primarily of (i) salaries and benefits for employees, which are the salaries and benefits for our management, merchant service representatives and general administrative staff, (ii) office expenses, which consist primarily of office rental, maintenance and utilities expenses, depreciation of office equipment and other office expenses, and (iii) professional expenses, which consist primarily of legal expense and audit fees.

We restructured the board of directors in May 2022 and again in October 2022, and our management had undergone significant changes. The total salaries and benefits for employees for 2022 are \$1,374,839, with \$816,444 paid in cash and \$558,395 in stock. The total professional expenses for 2022 are \$581,557, including \$367,524 legal expenses. The total other office expenses are \$199,667. In 2021, due to the changes in our core management and business teams, many employees participating in our stock incentive plan were allowed to accelerate the vesting of their shares that have not yet reached the vesting period. Combined with the impact of the implementation of the additional stock incentive plan in 2021, our stock incentive expenses recognized in 2021 were \$8,349,862. In addition, as a result of these changes, our professional expenses such as lawyers and financial consultants were \$1,156,125 in 2021. The total general and administrative expenses of 2021 were \$12,354,241.

Our losses from provision for doubtful accounts for 2022 were all due to other receivables that could not be collected. Due to the changes of our management and business team in the second half of 2021, we failed to collect the blockchain technical services receivable \$1,092,208 from BGA FOUNDATION LTD and \$54,923 from Beijing Qichi Trading Ltd. in a timely manner. Our consolidated statements of operations for the year ended December 31, 2021 includes a full provision for doubtful accounts from the above accounts receivable.

Our intangible assets are all cryptocurrencies in recent three years. As we increased the cryptocurrency mining business as one of our main businesses in the second half of 2021, we classified cryptocurrencies as one part of our main operating assets and classified the loss or income from disposal of the cryptocurrencies as operating loss or income. In January 2022, we sold 1,000,000 USD Coins to finance our daily operations and generated a loss of \$29,968 in 2022. In October 2021, we sold 10 Bitcoins to finance our daily operations and generated an income of \$121,001. We sold other cryptocurrencies and generated an income of \$19 in 2021.

As of December 31, 2022, the original book value of 125.8584797 Bitcoins belonging to the company is \$5,972,282, of which 95.23843406 Bitcoins came from the PIPE closed on September 8, 2021 and 30.62004567 Bitcoins came from the Bitcoins shared mining business. We estimated the fair values of the Bitcoins based on the intraday low price of Bitcoin every day and respectively recognized \$908,453 and \$3,111,232 impairment loss for the year ended December 31, 2021 and 2022. As of December 31, 2022, the Company held 2,005,537.50 USD coins with the book value of \$2,003,332. We estimated the fair values of the USD Coins based on the intraday low price of USD Coin every day and respectively recognized \$11,120 and \$nil impairment loss for the year ended December 31, 2021 and 2022. As of December 31, 2022, the Company held 104762.0706 Filecoins with the book value of \$315,376, of which 104646.5806 Filecoins came from the asset purchase agreement with Huangtong International Co., Ltd. closed on December 15, 2022 and 115.49 Filecoins came from the Filecoin physical mining business. We estimated the fair values of the Filecoins based on the intraday low price of Filecoin everyday, and recognized \$26,957 impairment loss for the year ended December 31, 2022.

We also estimated the fair values of other cryptocurrencies we held and recognized \$5,864 impairment loss for the year ended December 31, 2022. We wrote off the original value of the \$5,864 cryptocurrencies and the \$5,864 impairment in 2022 due to the platform where the wallet of the \$5,864 cryptocurrencies was stored had gone out of business, we had been no longer able to withdraw the cryptocurrencies as of December 31, 2022.

We estimated the fair values of the cryptocurrencies based on the intraday low price every day and recognized \$1,292,568 impairment loss for the year ended December 31, 2021, including \$908,453 impairment loss of Bitcoins, \$11,120 impairment loss of USD Coins and \$372,995 impairment loss of FFcoins and other cryptocurrencies. We wrote off the original value of the \$1,208,339 FFcoins and other cryptocurrencies and the \$1,208,339 impairment in 2021 due to the FFcoin platform had gone out of business, these FFcoins and other cryptocurrencies no longer had any market value as of December 31, 2021.

While our operating expenses currently remain relatively low, we expect, as our recent investments in future business lines capture increasing revenues, to apply major reinvestments into the operations of all of our promising current investments and core business including R&D, hiring expert staff, and efforts to support the further global expansion of our business.

#### *Goodwill impairment loss*

\$8,107,013 goodwill impairment loss generated by the VIE entities subject to divestment is shown as Loss/income from discontinued operations in the consolidated income statement for the year ended December 31, 2021. The balance sheet at the end of 2021 and 2022 had have no balance of goodwill.

#### *Loss from disposal of subsidiaries*

Due to the extremely adverse regulatory measures taken by the Chinese government in 2021 in the field of digital currency production and transaction, the Company's board of Directors decided on December 10, 2021 to divest the Chinese companies of the related business controlled through VIE agreements, and the divestiture was completed on January 15, 2022. The financial statements of the Company for the year ended December 31, 2022 recognized the loss from disposal of VIEs as \$4,664. No disposal of subsidiaries occurred in 2021.

#### *Interest Income, net*

Our interest income consists primarily of the interest income from our cash and short-term deposits with banks and compensation received for payments we made on behalf of the divested business. We generated \$5,118 interest income in 2022 and \$1,083 interest income in 2021. We did not incur borrowing interest expenses in 2021 and 2022.

#### *Other Income/(expenses)*

Other income consists primarily of the gain generated from the government subsidies. We generated \$1,248 other income in 2022 and \$143 other expenses in 2021.

#### *Income tax expense/(benefits)*

The reconciliation of tax computed by applying the statutory income tax rate of 21% applicable to the US operation, 16.5% applicable to the Hong Kong operation, 25% applicable to the PRC operation and 17% applicable to the Singapore operation to income tax benefit from continuing operations is as follows:

	December 31, 2022				
	US\$ US	US\$ Hong Kong	US\$ PRC	US\$ Singapore	US\$ Consolidated
<b>Income/(Loss) before income taxes</b>	<b>8,776</b>	<b>(1,317,169)</b>	<b>(177,053)</b>	<b>—</b>	<b>(1,485,445)</b>
Income tax computed at applicable tax rates	1,843	(217,333)	(44,263)	—	(259,753)
Effect of different tax rates in different jurisdictions	451	—	—	—	451
Non-deductible expenses	—	133,398	785	—	134,183
Current losses unrecognized deferred income tax	—	—	43,478	—	43,478
Prior losses recognized deferred income tax in current period	—	(6,632)	—	—	(6,632)
Change in valuation allowance in current period	—	(133,399)	—	—	(133,399)
Change in valuation allowance in prior period	—	(27,039)	—	—	(27,039)
<b>Income tax expenses/(benefits)</b>	<b>2,294</b>	<b>(251,005)</b>	<b>—</b>	<b>—</b>	<b>(248,711)</b>

On July 15, 2022, the Company incorporated Mercury Fintech Technology Holding Inc. in New York, which plans to develop digital consultation services. In accordance with the New York State Corporate Income Tax Law, the New York State corporate income tax rate applicable to the company in the year ended December 31, 2022 is 6.5%, and \$570 income taxes was credited to the Company. In accordance with the Federal Corporate Income Tax Law, the Federal corporate income tax rate applicable to the company in the year ended December 31, 2022 is 21%, and \$1,724 income taxes was credited to the Company.

We will take Mercury Limited and its Hong Kong and China subsidiaries as the operating entities of technical services business and digital consultation services business in the Asia-Pacific region. Ucon Capital (HK) Limited, our Hong Kong subsidiary, will be one of the important business subjects and generate profits in the future, and Hong Kong tax law does not stipulate the period for carrying forward uncovered losses, so our financial statements recognized deferred income tax assets for the uncovered losses from Ucon Capital (HK) Limited in the year ended December 31, 2022.

We have disposed of all the businesses of the VIE entities in China. It is uncertain whether the sole Chinese subsidiary as of December 31, 2022, Beijing Lianji Future Technology Co., Ltd., will be able to generate enough profit in the next five years to cover the accumulated uncovered losses, which can only be covered in the next five years under Chinese tax law, so our financial statements did not recognize deferred income tax assets for the uncovered losses from Beijing Lianji Future Technology Co., Ltd. in the year ended December 31, 2022. We did not recognize any income tax benefits/(expenses) in 2021.

#### *Net loss*

Our net loss was US\$21,665,704 for the year ended December 31, 2021 compared to US\$5,634,971 for the year ended December 31, 2022. Among them, our loss from continuing operations was US\$13,305,382 for the year ended December 31, 2021 compared to US\$5,634,971 for the year ended December 31, 2022, our loss from discontinued operations was US\$8,360,322 for the year ended December 31, 2021 compared to US\$ nil for the year ended December 31, 2022.

In 2021, following a change of the board and management, our business plan was recalibrated, and the original business of Mercury Limited and NBPAY were discontinued due to the highly adverse regulatory measures taken by the Chinese government in the second half of 2021 targeting the production and trading of digital currency. As a result, we recognized the impairment loss of goodwill of \$8.1 million for the year ended December 31, 2021, which is shown as loss from discontinued operations in the consolidated income statement. In addition, due to the changes in our core management and business teams, many employees participating in our stock incentive plan were allowed to accelerate the vesting of their shares that have not yet reached the vesting period. Combined with the impact of the implementation of the additional stock incentive plan in 2021, our stock incentive expenses recognized in 2021 were \$8,349,862.

#### **Year Ended December 31, 2021 Compared to Year Ended December 31, 2020**

Due to the extremely adverse regulatory measures taken by the Chinese government in 2021 on digital currency production and transaction, the Company's board of Directors decided on December 10, 2021 to divest the Chinese companies of the related business controlled through VIE agreements, and the divestiture was completed on January 15, 2022.

Accordingly, assets and liabilities, Revenue and expenses, and cash flows related to the VIE entities subject to divestment have been reclassified in the accompanying consolidated financial statements as discontinued operations for all periods presented. The consolidated statements of operations and the consolidated statements of cash flows for the year ended December 31, 2020 are adjusted retrospectively to reflect the change. Additionally, the presentation of the accompanying notes will not include the financial information for the year ended December 31, 2020 if they were nil due to the disposal and related classification within discontinued operations mentioned above.

#### *Revenue*

We generated total revenue on a consolidated basis in the amounts of \$1,402,300 for the year ended December 31, 2020, all from our blockchain technical services business. The Revenue did not include Revenue of \$79,289 generated by VIE entities subject to divestment. These Revenue from VIE entities are reclassified under loss/income from discontinued operations in the consolidated income statement.

Due to the change of the management and business team in 2021, the original business contract was discontinued, resulting in the blockchain technical services revenue of only US\$128,207 for the year ended December 31, 2021, of which US\$122,343 revenue generated by the VIE entities subject to divestment is shown as loss/income from discontinued operations in the consolidated income statement, and US\$5,864 is shown as Revenue in the consolidated income statement. We earned 11.75513345 Bitcoins through our participation in cryptocurrency shared mining and recognized revenue of US\$664,307 based on the daily market price at the time the Bitcoins were acquired for the year ended December 31, 2021. As cryptocurrency mining is a new business that the Board decided to add in the second half of 2021, no revenue from this business occurred in 2020.

#### *Cost of Revenue*

Our cost of blockchain technical services Revenue currently consists of the payroll of technical personnel. Our cost of blockchain technical services Revenue was \$nil in the consolidated income statement for the year ended December 31, 2021. In addition, US\$41,537 cost of blockchain technical services Revenue for the year ended December 31, 2021 generated by the VIE entities subject to divestment is shown as Loss/income from discontinued operations in the consolidated income statement. Our cost of blockchain technical services Revenue for the year ended December 31, 2020 was \$79,150. In addition, \$75,116 cost of blockchain technical services Revenue for the year ended December 31, 2020 generated by the VIE entities subject to divestment is shown as Loss/income from discontinued operations in the consolidated income statement.

Our cost digital asset mining revenue consists primarily of direct production costs related to mining operations, including utilities and other service charges. Our cost of digital asset mining Revenue was US\$702,679 for the year ended December 31, 2021. No cryptocurrency mining costs were incurred in 2020.

#### *Operating expenses*

Our operating expenses consist of sales and marketing expenses, general and administrative expenses, provision for doubtful accounts, (loss)/income on disposal of intangible assets and impairment loss of intangible assets. Our total operating expenses were \$1,991,918 and \$12,354,241 for the year ended December 31, 2020 and 2021.

We did not generate any sales and marketing expenses directly for our main business in 2020 and 2021.

Our general and administrative expenses consist primarily of (i) salaries and benefits for employees, which are the salaries and benefits for our management, merchant service representatives and general administrative staff, (ii) office expenses, which consist primarily of office rental, maintenance and utilities expenses, depreciation of office equipment and other office expenses, and (iii) professional expenses, which consist primarily of legal expense and audit fees. In 2021, due to the changes in our core management and business teams, many employees participating in our stock incentive plan were allowed to accelerate the vesting of their shares that have not yet reached the vesting period. Combined with the impact of the implementation of the additional stock incentive plan in 2021, our stock incentive expenses recognized in 2021 were \$8,349,862. In addition, as a result of these changes, our professional expenses such as lawyers and financial consultants were \$1,156,125 in 2021. The total general and administrative expenses of 2021 were \$12,354,241. We recorded \$1,991,918 general and administrative expenses for the year ended December 31, 2020, which primarily was employment cost.

Due to the changes of our management and business team in the second half of 2021, we failed to collect the blockchain technical services receivable \$1,092,208 from BGA FOUNDATION LTD and \$54,923 from Beijing Qichi Trading Ltd. in a timely manner. Our consolidated statements of operations for the year ended December 31, 2021 includes a full provision for doubtful accounts from the above accounts receivable. No provision for doubtful accounts recognized in 2020.

We sold 10 Bitcoins to finance our daily operations and generated an income of \$121,001 in October and some other cryptocurrencies and generated an income of \$19 in 2021. No income/(loss) on disposal of intangible assets recognized in 2020.

As of December 31, 2021, we held 106,9936 Bitcoins with a total value of \$5,051,163 and 3,005,537.5 USD coins with a total value of \$3,005,417 based on the trading closing price shown on Feixiaohao platform. We estimated the fair values of the cryptocurrencies based on the intraday low price every day and recognized \$1,292,568 impairment loss for the year ended December 31, 2021, including \$908,453 impairment loss of Bitcoins, \$11,120 impairment loss of USD Coins and \$372,995 impairment loss of FFcoins and other cryptocurrencies. We wrote off the original value of the \$1,208,339 FFcoins and other cryptocurrencies and the \$1,208,339 impairment in 2021 due to the FFcoin platform had gone out of business, these FFcoins and other cryptocurrencies no longer had any market value as of December 31, 2021.

We estimated the fair values of other cryptocurrencies we held and recognized \$835,344 impairment loss for the year ended December 31, 2020.

#### *Interest Income, net*

Our interest income consists primarily of the interest income from our cash and short-term deposits with banks and compensation received for payments we made on behalf of the divested business. We generated \$1,083 interest income in 2021 and \$7,983 interest income in 2020. We did not incur borrowing interest expenses in 2020 and 2021.

#### *Other Income/(expenses)*

We generated \$143 other expenses in 2021 and \$32,533 other expenses in 2020.

#### *Net loss*

Our net loss was US\$1,651,273 for the year ended December 31, 2020 compared to US\$21,665,704 for the year ended December 31, 2021. Among them, our loss from continuing operations was US\$693,318 for the year ended December 31, 2020 compared to US\$13,305,382 for the year ended December 31, 2021, our loss from discontinued operations was US\$957,955 for the year ended December 31, 2020 compared to US\$8,360,322 for the year ended December 31, 2021.

In 2021, following a change of the board and management, our business plan was recalibrated, and the original business of Mercurity Limited and NBPAY were discontinued due to the highly adverse regulatory measures taken by the Chinese government in the second half of 2021 targeting the production and trading of digital currency. As a result, we recognized the impairment loss of goodwill of \$8.1 million for the year ended December 31, 2021, which is shown as loss from discontinued operations in the consolidated income statement. In addition, due to the changes in our core management and business teams, many employees participating in our stock incentive plan were allowed to accelerate the vesting of their shares that have not yet reached the vesting period. Combined with the impact of the implementation of the additional stock incentive plan in 2021, our stock incentive expenses recognized in 2021 were \$8,349,862.

## **B. Liquidity and Capital Resources**

We had US\$174,783, US\$440,636 and US\$7,446,664 in cash and cash equivalents as of December 31, 2020, 2021 and 2022, respectively. The cash and cash equivalents as of December 31, 2022 did not include \$91,209 security deposits frozen in our bank account.

Our net losses were US\$1,651,273, US\$21,665,704 and US\$5,634,971 for the year ended December 31, 2020, 2021 and 2022, respectively, and our net cash used in operating activities were US\$595,676, US\$4,005,472 and US\$767,919 in 2020, 2021 and 2022, respectively.

On September 8, 2021, we issued 571,428,570 ordinary shares to three investors through private placement for 105.2385 Bitcoins with a market value of \$5 million.

On October 19, 2021, we issued 571,428,570 ordinary shares to three investors through private placement for 5,000,000.00 USD Coins with a market value of approximately \$5 million.

On November 21, 2022, we issued 2,423,076,922 ordinary shares to three investors for the private investment in public equity (the "PIPE") of US\$3.15 million, and issued 108,000,000 ordinary shares to pay the financing service fee of the PIPE.

On December 20, 2022, we issued 3,676,470,589 ordinary shares to two investors for the private investment in public equity (the "PIPE") of US\$5 million. On December 15, 2022, we entered into an asset purchase agreement with Huangtong International Co., Ltd., providing for the acquisition and purchase of Web3 decentralized storage infrastructure, including cryptocurrency mining servers, cables, and other electronic devices, for an aggregate consideration of USD\$5,980,000, payable in our 2,718,181,818 ordinary shares. We issued the 2,718,181,818 ordinary shares on December 23, 2022.

On December 23, 2022, we entered into a Securities Purchase Agreement in connection with a private investment in public equity (the "PIPE") financing with an accredited non-U.S. investor to offer and sell our units, each consisting of one ordinary share and three warrants for total gross proceeds of USD\$5 million. As of December 31, 2022, we had not yet issued the corresponding 4,545,454,546 ordinary shares to the investor. Therefore, the Ordinary Shares in the financial statements for the year ended December 31, 2022 does not include such unissued ordinary shares. We issued the 4,545,454,546 ordinary shares to the investor upon receiving the \$5 million from the investor on January 10, 2023.

If there is any change in business conditions or other future developments, including any investments we may decide to pursue, we may also seek to sell additional equity securities or debt securities or borrow from lending institutions. Financing may be unavailable in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our earnings per share. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

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

	For the Year Ended December 31,		
	2020	2021	2022
	(in US\$ thousands)		
<b>Net cash used in operating activities</b>	(606)	(1,411)	(582)
<b>Net cash used in investing activities</b>	—	—	(32)
<b>Net cash provided by financing activities</b>	300	1,676	7,720
<b>Effect of exchange rate changes</b>	45	3	(9)
<b>Increase/(decrease) in cash and cash equivalents</b>	(260)	269	7,097
<b>Cash at the beginning of the period</b>	435	175	440
<b>Cash at the end of the period</b>	175	443	7,538

#### *Net cash used in operating activities*

Net cash used in operating activities was US\$582,423 for the year ended December 31, 2022, all from continuing operations. The net cash used in continuing operations was primarily due to: 1) Net loss from continuing operations of US\$1,872,453 after excluding provision for doubtful accounts, impairment loss of intangible assets, stock-based compensation, loss from disposal of intangible assets, loss from disposal of subsidiaries, depreciation and amortization and other income/(expenses) those non-cash items; 2) A decrease in digital assets of US\$215,464; 3) A decrease in prepaid expenses and other current assets of US\$1,281,109, a decrease in right-of-use assets of US\$873,878 and a decrease in deferred tax assets of US\$251,005; 3) An increase in accounts payable, advance from customers and accrued expenses and other current liabilities and lease liabilities of US\$918,340.

Net cash used in operating activities was US\$1,411,029 for the year ended December 31, 2021, reflecting a combination of net cash used in continuing operations of US\$1,024,252. The net cash used in continuing operations was primarily due to a decrease in accounts receivable of US\$380,510 and a decrease in prepaid expenses and other current assets of US\$1,105,481, net loss from continuing operations of US\$1,912,043 after excluding provision for doubtful accounts, impairment loss of intangible assets, stock-based compensation and loss from disposal of intangible assets those non-cash items, a decrease in accrued expenses and other current liabilities and other non-current liabilities of US\$184,429, and a decrease in digital assets of US\$1,797,191.

Net cash used in operating activities was US\$605,968 for the year ended December 31, 2020, reflecting a combination of net cash provided by continuing operations of US\$351,623. The net cash provided by continuing operations was primarily due to a decrease in accounts receivable of US\$835,533 and a decrease in prepaid expenses and other current assets of US\$740,150, net income from continuing operations of US\$428,158 after excluding impairment and stock-based compensation those two non-cash items, a decrease in accrued expenses and other current liabilities and other non-current liabilities of US\$161,626, and an increase in digital assets of US\$10,292.

*Net cash (used in)/provided by investing activities*

Net cash used in investing activities was US\$32,222 for the year ended December 31, 2022, representing purchase of fixed assets and loan to affiliate person.

Net cash provided by or used in investing activities was nil for the year ended December 31, 2021.

Net cash provided by investing activities was US\$144 for the year ended December 31, 2020, representing making payment and exchange for legal currencies.

*Net cash provided by financing activities*

Net cash provided by financing activities was US\$7,720,425 for the year ended December 31, 2022, representing net cash provided by private placement, borrowings and paying for debt.

Net cash provided by financing activities was US\$1,676,203 for the year ended December 31, 2021, representing net cash provided by private placement, borrowings and paying for debt.

Net cash provided by financing activities was US\$300,000 for the year ended December 31, 2020, representing net cash provided by private placement.

**Capital Expenditures**

On December 15, 2022, we entered into an asset purchase agreement with Huangtong International Co., Ltd., providing for the acquisition and purchase of Web3 decentralized storage infrastructure, including cryptocurrency mining servers, cables, and other electronic devices, for an aggregate consideration of USD\$5,980,000, payable in our ordinary shares. The investment is made with an aim to own mining machines capable of gathering, processing, and storing vast amounts of data, to advance the cryptocurrency mining business, and to further solidify us as a pioneer in the creation of the Web3 framework. The assessed value of the Web3 decentralized storage infrastructure is \$5,982,900. In addition, the Company also received 104646.5806 filecoins from Huangtong International Co., Ltd. for free. On December 20, 2022, the assets began to be used for Filecoin mining operations and the effective computing power is expected to reach 64 PiB.

We did not have capital expenditures for the year ended December 31, 2021.

We did not have capital expenditures for the year ended December 31, 2020.

**Inflation**

Since our inception, inflation in the PRC 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 2020, 2021 and 2022 were increases of 2.5%, 0.9% and 3.7%, respectively.

From the second half of 2022, the United States becomes one of our main locations of operations. According to the U.S. Bureau of Labor Statistics, the year-over-year percent changes in the consumer price index for December 2020, 2021 and 2022 were increases of 1.2%, 4.7% and 8%, respectively.

Although we have not been materially affected by inflation in the past, we have experienced and expect to continue to experience upward pressure on our operating expenses.



## **Withholding Tax Obligation**

In 2022, we did not need to withhold income tax.

## **C. Research and Development**

Please refer to "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

## **D. Trend Information**

Other than as described elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our revenue, income from continuing operations, profitability, liquidity or capital resources, or that would cause our reported financial information not necessarily to be indicative of future operating results or financial condition.

## **E. Critical Accounting Estimates**

### ***Impairment of intangible assets with indefinite useful life***

Intangible assets with indefinite useful life are not amortized and are tested for impairment annually or more frequently, if events or changes in circumstances indicate that they might be impaired in accordance with ASC Subtopic 350-30, Intangibles-Goodwill and Other: General Intangibles Other than Goodwill ("ASC 350-30"). ASC 350-30-35-18 and ASC 350-30-35-19 call for that we should consider all circumstances that could lead to impairment of the intangible assets, take a more cautious method to test whether impairment of the intangible assets is likely to occur, and test more frequently.

Our intangible assets are all cryptocurrencies which are measured at cost. The cryptocurrencies received from cryptocurrency mining operations recognize the cost of intangible assets based on the market price at the time of acquisition.

Due to the price crash of Bitcoin in 2022, we, out of caution, decided to change the impairment test method of Bitcoin and other cryptocurrencies from testing once or twice a year by calculating the fair value based on the average daily closing price of the past 12 months to testing every day by calculating the fair value based on the intraday low price. Because the intraday low price of cryptocurrencies to be utilized in calculating impairment of our cryptocurrencies held as that metric is the most accurate indicator of whether it is more likely than not that the asset is impaired.

We evaluated the materiality of the changes from qualitative and quantitative perspectives, and concluded that the changes were material to the Consolidated Balance Sheet as of December 31, 2021 and Consolidated Statements of Operations, Equity, and Cash Flows for the year ended December 31, 2021. We restated the impacted financial statements as of December 31, 2021, and for the year ended December 31, 2021, and related notes included herein to correct these changes.

We estimated the fair values of the cryptocurrencies based on the intraday low price every day and recognized \$3,144,053 impairment loss for the year ended December 31, 2022, including \$3,111,232 impairment loss of Bitcoins and \$5,864 impairment loss of other cryptocurrencies. We wrote off the original value of the \$5,864 cryptocurrencies and the \$5,864 impairment in 2022 due to the platform where the wallet of the \$5,864 cryptocurrencies was stored had gone out of business, we had been no longer able to withdraw the cryptocurrencies as of December 31, 2022.

We estimated the fair values of the cryptocurrencies based on the intraday low price every day and recognized \$1,292,568 impairment loss for the year ended December 31, 2021, including \$908,453 impairment loss of Bitcoins, \$11,120 impairment loss of USD Coins and \$372,995 impairment loss of FFcoins and other cryptocurrencies. We wrote off the original value of the \$1,208,339 FFcoins and other cryptocurrencies and the \$1,208,339 impairment in 2021 due to the FFcoin platform had gone out of business, these FFcoins and other cryptocurrencies no longer had any market value as of December 31, 2021.

The book value of the totally 125.8584797 Bitcoins after the impairment on December 31, 2022 was \$1,952,597, estimated with the lowest price in 2022 of \$15,514.23 per Bitcoin. While as of March 31, 2023, the average daily closing price of Bitcoin in the past 3 months was \$22,712.12 per Bitcoin, and the value of our Bitcoins calculated using the price of \$22,712.12 per Bitcoin will be \$2,858,513, so our consolidated financial statements for the year ended December 31, 2022 may understate the value of our Bitcoins.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

The following table sets forth certain information relating to our directors and executive officers as of the date of this annual report

Directors and Executive Officers	Age	Position/Title
Shi Qiu	32	Chief Executive Officer and Director
Lynn Alan Curtis	80	Chairperson of the Board of Directors
Daniel Kelly Kennedy	39	Director
Zheng Cui	37	Director
Qian Sun	35	Chief Operating Officer and Director
Hui Cheng	31	Director
Xiang Qu	36	Independent Director
Er-Yi Toh	39	Independent Director
Cong Huang	41	Independent Director
Keith Tan Jun Jie	30	Director
Yukuan Zhang	35	Chief Financial Officer

Mr. Shi Qiu, age 32, is an entrepreneur with extensive experience in corporate management and business innovation in various industries, such as the media, fintech, and blockchain industries. From September 2015 to May 2018, Mr. Qiu co-founded and served as a Vice President of Newstyle Media Group, which received strategic investments from certain well-known technology companies in the PRC. Newstyle Media Group produced a popular Asian TV series "The Untamed," which is currently available worldwide on the online streaming platform Netflix. From June 2018 to October 2018, Mr. Qiu served as the Head of Blockchain Business of North Mining Limited. Mr. Qiu then served as the Vice-General Manager of Ningbo Saimeinuo Supply Chain Management Ltd. from November 2018 until 2021. From November 2021 until November 2022, Mr. Qiu served as the Chief Technology Officer (the "CTO") of Singularity Future Technology (NASDAQ:SGLY). Mr. Qiu received a Bachelor's Degree in Risk Management and Actuary from Zhejiang University and a Master's Degree in Government Management and Public Policy from Tsinghua University. Since May 2022, Mr. Qiu has served as the Chief Executive Officer and Director of the Company.

Mr. Alan Curtis, age 80, is an American public policy expert. Mr. Curtis served as a public safety advisor to Presidents Lyndon B. Johnson and Jimmy Carter. Since 1968, Mr. Curtis has served on the National Advisory Commission on Civil Disorders, known as the Kerner Commission. In 1969, Mr. Curtis was appointed as an Assistant Director of Crimes of Violence task force on President Lyndon B. Johnson's National Commission on the Causes and Prevention of Violence. Between 1977 and 1981, Mr. Curtis served as Executive Director of President Jimmy Carter's Urban and Regional Policy Group and as an Urban Policy Advisor to the Secretary of Housing and Urban Development. In 1981, Mr. Curtis was named as Founding President and Chief Executive Officer of the Milton S. Eisenhower Foundation, which identifies, funds, evaluates, and builds evidence-based programs for disadvantaged American youth and families. In 2018, Mr. Curtis published a book titled Healing Our Divided Society: Investing in America Fifty Years after the Kerner Report, and Mr. Curtis proposed evidence-based policies for employment, education, housing, community development, and criminal justice. Mr. Curtis holds an A.B. in Economics from Harvard, a M.Sc. in Economics from the University of London and a Ph.D. in Criminology and Urban Policy from the University of Pennsylvania. Since November 2022, Mr. Alan Curtis has served as the Chairperson of the Board of Directors of the Company.

Mr. Daniel Kelly Kennedy, age 39, is an educator, writer and inspirational leader in international business and entrepreneurship. From August 2015 to August 2016, Mr. Kennedy was an Academic English Professor at Moraine Park Technical College in Beaver Dam, Wisconsin. From August 2016 to August 2017, Mr. Kennedy was an International Business/Social Media Coordinator at Mozaik Education in Szeged, Hungary. From September 2017 to May 2018, Mr. Kennedy worked as a Yoga/Meditation teacher at the Lodge at Woodloch in Hawley, Pennsylvania. From August 2020 to July 2022, Mr. Kennedy worked as an Academic English Professor at Campus Education in New York City. From June 2021 to the present, Mr. Kennedy has been a Columnist for "Entrepreneur Magazine" in New York City. Mr. Kennedy has been writing and publishing articles on various subject ranging from finance to life style. From June 2022 to October 2022, Mr. Kennedy worked at BIT Mining, a leading publicly traded cryptocurrency mining company, as a Marketing Manager responsible for managing social media, public relations, investor relations and maintaining a professional and intelligent public image. Mr. Kennedy holds a bachelor's degree in history and a Master's degree in Education from King's College in Pennsylvania. Since November 2022, Mr. Daniel Kelly Kennedy has served as a Director of the Company.

Mr. Zheng Cui, age 37, is a sales and marketing professional, advisor, and entrepreneur. From 2011 to 2014, Mr. Cui worked at Martinwolf, a M&A advisory firm, as an Analyst providing various analytic and research supports in advisory assignments, including sell-side and buy-side M&A transactions, cross-border corporate strategy advisory and limited finder. From 2014 to 2020, Mr. Cui worked at Beyondsoft, a leading IT consulting, solution and services provider, as a sales and marketing professional responsible for the U.S. and Australia markets. In addition, in 2013, Mr. Cui founded Indeed Consulting Company, an education consulting firm, and built Indeed Consulting Company until 2020, which currently has two offices and over 100 consultants. In 2020, Mr. Cui joined in Mont Bleu Web3 Investment and Advisory as a Partner to provide investment and advisory services to support portfolio and client services for Web3. In 2021, Mr. Cui invested and founded Be Humble, a cannabis investment company. Mr. Cui graduated from the University of California, Berkeley, with a Bachelor of Arts degree in Political Economy. Since November 2022, Mr. Zheng Cui has served as a Director of the Company.

Ms. Qian Sun, age 35, has more than 10 years of experience in corporate management and industrial investment. In 2010, Ms. Sun joined Shenzhen Worldunion Group (SZ:002285), a publically traded real estate services company in China, as a Project Planner in Northern China, responsible for the project planning and marketing in Northern China. Thereafter, from 2012 to 2017, Ms. Sun worked at Bei Hui United Education, an online education company, as an Assistant to the Chairman and Operation Director respectively, responsible for the development of the company's curriculum and daily operation management. From 2017 to 2020, Ms. Sun worked at Blockchainer, a blockchain consulting and incubation platform company, as a Partner responsible for providing one-stop consulting and incubation services in the blockchain field. From 2020 to 2022, Ms. Sun worked at Consensus Labs, a leading blockchain investment and research firm, as a Partner responsible for industry research and post-investment management. Ms. Sun holds a bachelor's degree in Management from Beijing Normal University. Since November 2022, Ms. Qian Sun has served as a Director and Chief Operating Officer of the Company.

Mr. Hui Cheng, age 31, is an entrepreneur in the Internet and financial technology industry. From 2016 to 2018, Mr. Cheng worked at IDG Capital, a venture capital investment firm, as an Investment Associate. From 2018 to 2019, Mr. Cheng worked at Qudian Group (NYSE:QD), a financial technology service company in China, as a Special Assistant to the Chief Executive Officer, responsible for business globalization. From 2019 to 2022, Mr. Cheng worked for Kuaishou Technology (SEHK:01024), a live streaming services and online marketing services provider, responsible for Kuaishou Technology's global operation, including marketing and localization operations in Latin America and Southeast Asia. Mr. Cheng holds a Bachelor of Science and a Master of Science in Management from Tsinghua University. Since November 2022, Mr. Hui Cheng has served as a Director of the Company.

Mr. Xiang Qu, age 36, is an experienced financial management professional with over ten (10) years of experience in the financial management and asset management industry. From 2010 to 2017, Mr. Qu joined Yiren Digital Ltd. (formerly known as Yixin Group, NYSE:YRD), a financial technology group in the PRC, where he served as the Chief Financial Officer and Senior Vice President. From 2017 to 2021, Mr. Qu served as a Co-Founder and the Chief Financial Officer of Yu Jin Capital. Mr. Qu currently serves as an executive director of the China Finance Forum and an executive director of the China Venture Capital Association. Mr. Qu received a Master's Degree in Master of Business Administration from Fudan University. Since May 2022, Mr. Xiang Qu has served as an Independent Director of the Company.

Mr. Er-Yi Toh, age 39, is currently the Chief Executive Officer and founder of Pytheas, a software company in Singapore providing travel Ecommerce services. Prior to founding Pytheas in 2011, Mr. Toh was a Research Analyst at NUS Risk Management Institute (RMI) from 2009 to 2010 where he was responsible for designing and building the data warehouse and financial model system. Mr. Toh received a Bachelor's Degree of Engineering in Computer Engineering from Nanyang Technological University. Since May 2022, Mr. Er-Yi Toh has served as an Independent Director of the Company.

Mr. Cong Huang, age 41, is a renowned researcher and entrepreneur in financial technology innovation. After receiving the PhD degree in Statistics from Yale University, he worked at Columbia University as an Assistant Professor in the Statistics Department, conducting research focused on algorithms and implementations in data mining. After a period of time, he decided to leave campus to develop his career in financial innovation and technology. At Goldman Sachs (GS), he played a pivotal role in developing various new models and algorithms to improve the speed and accuracy of options pricing methods. At McKinsey & Company, he helped financial institutions implement strategic innovation and transformation initiatives. As a founding member of PingAn Lufax (Nasdaq: LU), he led the Innovative Product Department and developed numerous retail loan products from zero, which have been widely used for reference by Internet finance industry. As the CEO of Xiaoying Tech (Nasdaq: XYF), one of the top finance companies in China, he set up the management and operations structure to lift the trading volume from RMB100 million per month to RMB3 billion per month in two years. Meanwhile, Mr. Cong Huang is the founder and CEO of Weiyan Tech, a leading AI company that provides risk-control and marketing solutions for financial institutions. Mr. Huang has Bachelor's degree in Mathematics from the University of Science & Technology of China and a PhD degree from Yale University. Since March 2021, Mr. Cong Huang has served as an Independent Director of the Company.

Mr. Keith Tan Jun Jie, age 30, is an expert in the financial investment industry in the private and public markets. Mr. Tan currently serves as the Chief Operating Officer in Evolve Family office, focusing on traditional equities and derivative products. In 2017, Mr. Tan consulted for the products derivatives trading team in Royal Dutch Shell, London, on derivatives trading optimization for the global derivatives oil market. In 2013, Mr. Tan served in the military and held the rank of Lieutenant where he acted as the platoon commander in a motorized infantry unit. During his time in the military, Mr. Tan was awarded several awards including the Sword of Merit given to the top 10% of graduating officers. Mr. Tan graduated with First Class Honors - Deans list, in Chemical Engineering from University College London, and obtained the Masters of Philosophy (MPhil) in Management, with Distinction, at the University of Cambridge. Since April 2022, Mr. Keith Tan Jun Jie has served as a Director of the Company.

Yukuan Zhang, age 35, has more than 10 years of experience in audit, consulting, investment, financing, and enterprise management. In 2012, Mr. Zhang worked as a settlement specialist in the Settlement Management Center of Suning Group (SZ002024). From January 2013 to August 2013, Mr. Zhang worked at Shanghai Accounting Firm as an auditor. From October 2013 to August 2015, Mr. Zhang worked at Beijing Daotong Fangyuan Certified Public Accountants as a manager. From October 2015 to April 2019, Mr. Zhang worked at Beijing Xinghua Certified Public Accountants as a senior manager, responsible for audits of Chinese companies in various sectors, such as culture and media, manufacturing, internet, software services, tourism, real estate, education, and catering. From May 2019 to February 2020, Mr. Zhang served as a senior manager at Tianjiu Happiness Holding Group Co., Ltd., a business incubation group. From March 2020 to June 2021, Mr. Zhang served as the Chief Financial Officer at Beijing Swish Technology Co., Ltd., an internet e-commerce platform company. From July 2021 until November 13, 2022, Mr. Zhang served as the Chief Accountant of the Company and has served as Chief Financial Officer of the Company since November 2022. Mr. Zhang obtained a Bachelor's degree in Management with a major in Accounting from Harbin University of Commerce. Mr. Zhang was certified as a Certified Public Accountant in China in 2015.

## **B. Compensation**

### **Compensation of Directors and Executive Officers**

In 2022, we paid an aggregate of US\$109,083 in cash as salaries and fees to our former and current independent directors and an aggregate of US\$271,656 in cash as salaries and fees to our former and current executives. Other than salaries, fees and share incentives, we do not otherwise provide pension, retirement or similar benefits to our officers and directors.

## Share Incentive Plans

We adopted our share incentive plan in 2011, amended it in 2015 (the "2011 Plan"), and new incentive plans in 2020, 2021 and 2022 (the "2020 Plan", "2021 Plan" and "2022 Plan"), to attract and retain the best available personnel, provide additional incentives to our employees, directors and consultants, and promote the success of our business.

The amended and restated 2011 share incentive plan provides for the grant of options, restricted shares and other share-based awards, collectively referred to as "awards." In respect of the share incentive plan 2011, amended in 2015, our board of directors has authorized the issuance of ordinary shares of up to 15% of the issued and outstanding share capital of our company from time to time. The maximum aggregate number of shares which may be issued under the 2020 Plan is 150,000,000 shares (pre-mandatory exchange and share consolidation). The maximum aggregate number of shares which may be issued under the 2021 Plan is 400,000,000 shares (pre-mandatory exchange and share consolidation). The maximum aggregate number of shares which may be issued under the 2022 Plan is 1,100,000,000 shares (pre-mandatory exchange and share consolidation).

### 2011 Plan

*Plan Administration.* Our compensation committee will administer the amended and restated 2011 share incentive plan. The committee determines the participants to receive awards, the type and number of awards to be granted, and the terms and conditions of each award grant.

*Award Agreements.* Awards granted under our amended and restated 2011 share incentive plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award. Unless specifically approved by our board of directors, the purchase price per share of an option shall not be less than 100% of the fair market value of the shares on the date of grant.

*Transfer Restrictions.* The right of a grantee in an award granted under our amended and restated 2011 share incentive plan may not be transferred in any manner by the grantee other than by will or the laws of descent and, with limited exceptions, may be exercised during the lifetime of the grantee only by the grantee.

*Option Exercise.* The term of options granted under the amended and restated 2011 share incentive plan may not exceed ten years from the date of grant. The consideration to be paid for our ordinary shares upon exercise of an option or purchase of ordinary shares underlying the option may include cash, check or other cash-equivalent, ordinary shares, consideration received by us in a cashless exercise, or any combination of the foregoing methods of payment.

*Acceleration upon a Change of Control.* If a change of control of our company occurs, (i) the compensation committee may determine that any outstanding unexercisable, unvested or lapsable awards shall automatically be deemed exercisable, vested and not subject to lapse immediately prior to the event triggering the change of control and (ii) the compensation committee may cancel such awards for fair value, provide for the issuance of substitute awards or provide that for a period of at least 15 days prior to the event triggering the change of control, such options shall be exercisable and that upon the occurrence of the change of control, such options shall terminate and be of no further force and effect.

*Termination and Amendment.* Our board of directors has the authority to amend or terminate our share incentive plan subject to shareholder approval to the extent necessary to comply with applicable laws. Shareholders' approval is required for any amendment to the amended and restated 2011 share incentive plan that increases the number of ordinary shares available under the amended and restated 2011 share incentive plan or changes the maximum number of shares for which awards may be granted to any participant. Additionally, a participant's consent is required to diminish any of the rights of the participant under any award previously granted to such participant.

### 2020 Plan

The following paragraphs summarize the principal terms of our 2020 Plan.

*Type of Awards.* The 2020 Plan permits the awards of options, restricted shares, restricted share units or other types of awards approved by compensation committee of the board.

*Plan Administration.* Our board of directors or compensation committee will administer the 2020 Plan. The committee or the 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 grant.

*Award Agreement.* Awards granted under the 2020 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

*Eligibility.* Persons eligible to participate in the 2020 Plan include employees, consultants and all directors of our company.

*Vesting Schedule.* The vesting schedule of each award granted under 2020 Plan will be set forth in the relevant award agreement.

*Exercise of Options.* The plan administrator determines the exercise price for each award, which is stated in the relevant award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of grant.

*Transfer Restrictions.* Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2020 Plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.

*Termination and Amendment of the 2020 Plan.* With the approval of the board, our compensation committee has the authority to terminate, amend, suspend or modify the 2020 Plan. However, without the prior written consent of the participant, no such action may adversely affect in any material way any award previously granted pursuant to the plan.

## **2021 Plan**

The following paragraphs summarize the principal terms of our 2021 Plan.

*Type of Awards.* The 2021 Plan permits the awards of options, restricted shares, restricted share units or other types of awards approved by compensation committee of the board.

*Plan Administration.* Our board of directors or compensation committee will administer the 2021 Plan. The committee or the 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 grant.

*Award Agreement.* Awards granted under the 2021 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

*Eligibility.* Persons eligible to participate in the 2021 Plan include employees, consultants and all directors of our company.

*Vesting Schedule.* The vesting schedule of each award granted under 2021 Plan will be set forth in the relevant award agreement.

*Exercise of Options.* The plan administrator determines the exercise price for each award, which is stated in the relevant award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of grant.

*Transfer Restrictions.* Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2021 Plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.

*Termination and Amendment of the 2021 Plan.* With the approval of the board, our compensation committee has the authority to terminate, amend, suspend or modify the 2021 Plan. However, without the prior written consent of the participant, no such action may adversely affect in any material way any award previously granted pursuant to the plan.

## 2022 Plan

The following paragraphs summarize the principal terms of our 2022 Plan.

*Type of Awards.* The 2022 Plan permits the awards of options, restricted shares, restricted share units or other types of awards approved by compensation committee of the board.

*Plan Administration.* Our board of directors or compensation committee will administer the 2022 Plan. The committee or the 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 grant.

*Award Agreement.* Awards granted under the 2022 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

*Eligibility.* Persons eligible to participate in the 2022 Plan include employees, consultants and all directors of our company.

*Vesting Schedule.* The vesting schedule of each award granted under 2022 Plan will be set forth in the relevant award agreement.

*Exercise of Options.* The plan administrator determines the exercise price for each award, which is stated in the relevant award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of grant.

*Transfer Restrictions.* Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2022 Plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.

*Termination and Amendment of the 2022 Plan.* With the approval of the board, our compensation committee has the authority to terminate, amend, suspend or modify the 2022 Plan. However, without the prior written consent of the participant, no such action may adversely affect in any material way any award previously granted pursuant to the plan.

The following table summarizes, as of the date of this annual report, the outstanding options and restricted share units granted to our (current and former) executive officers, directors, and other individuals as a group under the 2011 Plan.

Name	Ordinary shares underlying options awarded/Restricted Share Units	Exercise price (US\$/share)	Date of grant	Date of expiration
<b>Other Individuals as a Group</b>	210,060,000	(1) —	from 2011/2/1 to 2021/1/25	from 2018/9/1 to 2031/1/24
<b>Other directors and officers as a group</b>	56,700,000	(1) —	from 2011/2/1 to 2021/1/3	from 2030/7/9 to 2031/1/2

\* Less than one percent of our total outstanding share capital.

(1) Restricted share units

The following table summarizes, as of the date of this annual report, the outstanding options and restricted share units granted to our (current and former) executive officers, directors, and other individuals as a group under the 2020 Plan.

Name	Ordinary shares underlying options awarded/Restricted Share Units	Exercise price (US\$/share)	Date of grant	Date of expiration
<b>Other Individuals as a Group</b>	93,600,000 (1)	—	from 2021/1/3 to 2021/4/30	from 2031/1/2 to 2031/4/29
<b>Executive officers</b>	37,008,000 (1)	—	2020/11/24	2030/11/23

\* Less than one percent of our total outstanding share capital.

(1) Restricted share units

The following table summarizes, as of the date of this annual report, the outstanding options and restricted share units granted to our (current and former) executive officers, directors, and other individuals as a group under the 2021 Plan.

Name	Ordinary shares underlying options awarded/Restricted Share Units	Exercise price (US\$/share)	Date of grant	Date of expiration
<b>Other Individuals as a Group</b>	10,800,000 (1)	—	2021/8/25	2031/8/23
<b>Other directors and officers as a group</b>	384,999,480 (1)	—	2021/8/25	2031/8/23

\* Less than one percent of our total outstanding share capital.

(1) Restricted share units

There are no outstanding options and restricted share units granted under the 2022 Plan.

## C. Board Practices

### Duties of Directors

Under Cayman Islands law, our directors owe certain fiduciary duties to our company, including duties of loyalty, to act honestly, and to act in what they consider in good faith to be 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. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than what may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care, and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our fourth amended and restated memorandum and articles of association. We have the right to seek damages if a duty owed by our directors is breached.

The powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- issuing authorized but unissued shares;
- declaring dividends and distributions;
- exercising the borrowing powers of our company and mortgaging the property of our company;
- approving the transfer of shares of our company, including the registering of such shares; and
- exercising any other powers conferred by the shareholders' meetings or under our fourth amended and restated memorandum and articles of association.



## **Terms of Directors and Executive Officers**

We have ten directors on our board, three of whom are independent directors. Any director on our board may be removed by way of an ordinary resolution of shareholders. Any vacancies on our board of directors or additions to the existing board of directors can be filled by the affirmative vote of a majority of the remaining directors. The shareholders may also by ordinary resolution elect any person to be a director either to fill a casual vacancy or as an addition to the existing board of directors.

Any director appointed by the board of directors to fill a casual vacancy shall hold office for the remaining term of the director in whose place he is appointed and shall be eligible for re-election at the expiry of the said term.

## **Grounds for Vacating a Director**

The office of a director shall be vacated if the director:

- resigns his office by notice in writing delivered to us or tendered at a meeting of the board of directors;
- becomes of unsound mind or dies;
- without special leave of absence from the board of directors, is absent from meetings of the board of directors for six consecutive months and the board of directors resolves that his office be vacated;
- becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- is prohibited by law from being a director; or
- ceases to be a director by virtue of any provisions of Cayman Islands law or is removed from office pursuant to the fourth amended and restated articles of association.

All of our executive officers are appointed by and serve at the discretion of our board of directors. Our executive officers are elected by and may be removed by a majority vote of our board of directors.

## **Board Committees**

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee.

### ***Audit Committee***

Our audit committee consists of Cong Huang, Er-Yi Toh, and Xiang Qu with Xiang Qu as Chair of the audit committee, effective May 7, 2022. We have determined that all the members of our audit committee satisfy the "independence" requirements of Rule 10A-3 under the Exchange Act and Nasdaq Marketplace Rule 5605(a) and that Xiang Qu is an audit committee financial expert as defined in the instructions to Item 16A of the Form 20-F. Xiang Qu serves as the chairperson of the audit committee.

The audit committee oversees our accounting and financial reporting processes and the audits of our consolidated financial statements. Our audit committee is responsible for, among other things:

- selecting the independent auditor;
- pre-approving auditing and non-auditing services permitted to be performed by the independent auditor;
- annually reviewing the independent auditor's report describing the auditing firm's internal quality control procedures, any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors and all relationships between the independent auditor and our company;

- setting clear hiring policies for employees and former employees of the independent auditors;
- reviewing with the independent auditor any audit problems or difficulties and management's response;
- reviewing and approving all related party transactions on an ongoing basis;
- reviewing and discussing the annual audited consolidated financial statements with management and the independent auditor;
- reviewing and discussing with management and the independent auditor's major issues regarding accounting principles and financial statement presentations;
- reviewing reports prepared by management or the independent auditors relating to significant financial reporting issues and judgments;
- discussing earnings press releases with management, as well as financial information and earnings guidance provided to analysts and rating agencies;
- reviewing with management and the independent auditors the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on our consolidated financial statements;
- discussing policies with respect to risk assessment and risk management with management, internal auditors and the independent auditor;
- timely reviewing reports from the independent auditor regarding all critical accounting policies and practices to be used by our company, all alternative treatments of financial information within U.S. GAAP that have been discussed with management and all other material written communications between the independent auditor and management;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately, periodically, with management, internal auditors and the independent auditor; and
- reporting regularly to the full board of directors.

#### ***Compensation Committee***

Our compensation committee consists of Cong Huang, Er-Yi Toh, and Xiang Qu with Er-Yi Toh as the Chair of the compensation committee, effective May 7, 2022. We have determined that all the members of our compensation committee satisfy the "independence" requirements of Rule 5605(a) of Nasdaq Stock Market Marketplace Rules.

Our compensation committee is responsible for, among other things:

- reviewing and approving our overall compensation policies;
- reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer, evaluating our Chief Executive Officer's performance in light of those goals and objectives, reporting the results of such evaluation to the board of directors, and determining our Chief Executive Officer's compensation level based on this evaluation;

- determining the compensation level of our other executive officers;
- making recommendations to the board of directors with respect to our incentive-compensation plan and equity-based compensation plans;
- administering our equity-based compensation plans in accordance with the terms thereof; and
- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

#### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee consists of Cong Huang, Er-Yi Toh, and Xiang Qu with Cong Huang as the Chair of the Nominating and Corporate Governance Committee, effective May 7, 2022. We have determined that all the members of our compensation committee satisfy the "independence" requirements of Rule 5605(a) of Nasdaq Stock Market Marketplace Rules.

The nominating and corporate governance committee will be responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

#### **Corporate Governance**

Our board of directors has adopted a code of business conduct and ethics, which is applicable to all of our directors, officers and employees. We have made our code of business conduct and ethics publicly available on our website.

In addition, our board of directors has adopted a set of corporate governance guidelines. The guidelines reflect certain guiding principles with respect to our board's structure, procedures and committees. The guidelines are not intended to change or interpret any law, or our fourth amended and restated memorandum and articles of association.

#### **Remuneration and Borrowing**

The Board may determine the remuneration to be paid to the directors. The compensation committee will assist the directors in reviewing and approving the compensation structure for the directors. The directors may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures or other securities whether outright or as security for any debt obligations of our company or of any third-party.

#### **Qualification**

There is no requirement for our directors to own any shares in our company in order for them to qualify as a director.

## Employment Agreements

The Board appointed Mr. Shi Qiu as the CEO for the Company, effective May 7, 2022. As of the date of this annual report, the current employment agreement (the "CEO Employment Agreement") dated May 9, 2022 between Mr. Shi Qiu and the Company governs the terms and conditions of Shi's employment, which is substantially in the form filed herein as Exhibit 10.1. Pursuant to the CEO Employment Agreement, we agreed to employ Mr. Shi Qiu as the CEO for an annual base salary of \$36,000 with a three-month probationary period. During the employment, Mr. Shi Qiu shall be entitled to the paid medical leave, holidays and vacations, and be subject to certain non-solicitation and non-disclosure provisions set forth therein. We or Mr. Qiu may terminate the CEO Employment Agreement for cause, at any time, with one-month notice.

The Board appointed Ms. Qian Sun as the COO for the Company, effective October 13, 2022. As of the date of this annual report, the current employment agreement (the "COO Employment Agreement") dated October 13, 2022 between Ms. Qian Sun and the Company governs the terms and conditions of Ms. Qian Sun's employment, which is substantially in the form filed herein as Exhibit 10.2. Pursuant to the COO Employment Agreement, we agreed to employ Ms. Qian Sun as the COO for an annual base salary of \$30,000 with a three-month probationary period. During the employment, Ms. Qian Sun shall be entitled to the paid medical leave, holidays and vacations, and be subject to certain non-solicitation and non-disclosure provisions set forth therein. We or Ms. Qian Sun may terminate the COO Employment Agreement for cause, at any time, with one-month notice.

The Board appointed Mr. Yukuan Zhang as the CFO for the Company, effective November 13, 2022. As of the date of this annual report, the current employment agreement (the "CFO Employment Agreement") dated November 13, 2022 between Mr. Yukuan Zhang and the Company governs the terms and conditions of Mr. Yukuan Zhang's employment, which is substantially in the form filed herein as Exhibit 10.3. Pursuant to the CFO Employment Agreement, we agreed to employ Mr. Yukuan Zhang as the CFO for a monthly base salary of Renminbi Yuan ¥ 70,000, payable in U.S. Dollars based on the last 7 days average exchange rate of USD to CNY on the Financial Reserve Website. During the employment, Mr. Yukuan Zhang shall be entitled to the paid medical leave, holidays and vacations, and be subject to certain non-solicitation and non-disclosure provisions set forth therein. We or Mr. Yukuan Zhang may terminate the CFO Employment Agreement for cause, at any time, with one-month notice.

Our CEO, COO and CFO have also agreed not to engage in any activities that compete with us, or to directly or indirectly solicit the services of our employees and clients, during employment and for a period of one year after termination of employment. Each of our CEO, COO and CFO has agreed to hold in strict confidence any confidential information or trade secrets of our company. Each of our CEO, COO and CFO also agrees to comply with all material applicable laws and regulations related to his or her responsibilities at our company as well as all material corporate and business policies and procedures of our company.

## D. Employees

As of December 31, 2022, we had a total of 9 employees, consisting of three executives, two staff members in the digital consultation services business, one staff member in the distributed computing and three staff members in other functions. We had a total of 13 employees as of December 31, 2021 and 22 employees as of December 31, 2020.

The remuneration package for our employees includes salary, sales commissions and employee share option programs. In accordance with applicable regulations in China, we participate in a number of social insurance schemes, namely, a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a personal injury insurance plan, a maternity insurance and a housing reserve fund for the benefit of all of our employees based in China. We have not experienced any material labor disputes or disputes with the labor department of the PRC government since our inception.

## E. Share Ownership

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our ordinary shares as of the date of this annual report (unless otherwise indicated) by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our ordinary shares.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting power or investment power with respect to securities. The number of ordinary shares beneficially owned including ordinary shares such person has the right to acquire within 60 days after the date of this annual report. Such shares, however, are not deemed to be outstanding and beneficially owned for the purpose of computing the percentage ownership of any other shareholder.

The total number of ordinary shares issued and outstanding as of December 31, 2022 was 14,069,445,558 shares (pre-mandatory exchange and share consolidation). The Company issued the 4,545,454,546 ordinary shares (pre-mandatory exchange and share consolidation) to the investor upon receiving the \$5 million from the investor on January 10, 2023.

On December 29, 2022, the Company's Board of Directors approved to proceed with: 1) the share consolidation and simultaneous change of the ADR ratio; 2) the transfer of the register of members of the Company; and 3) the termination of the deposit agreement. Later in January 2023, the Board approved the proposal on the share consolidation to the authorized share capital (the "Share Consolidation") at a ratio of four hundred (400)-for-one (1) with the par value of each ordinary share changed to US\$0.004 per ordinary share and the proposal to cancel the simultaneous ADR ratio change.

The Board approved the transfer of the register of members of the Company from Maples Corporate Services Limited to VStock Transfer, LLC, which will act as the transfer agent of the Company's ordinary shares, upon the suspension of the Company's ADRs program and the commencement of trading the Company's ordinary shares. The Board approved to terminate the Deposit Agreement, as amended (the "Deposit Agreement") effective on February 28, 2023, by and among the Company, Citibank, N.A., and the holders and beneficial owners of American Depositary Shares outstanding under the terms of the Deposit Agreement dated as of April 13, 2015 and as amended. As a result of the Mandatory Exchange and Share Consolidation, ADR holders should expect to receive nine-tenths (0.9) of one (1) new ordinary share for every ADR held immediately before the Effective Date but the opening price of the ordinary share post the Share Consolidation and Mandatory Exchange should increase by one-ninth (1/9) of the closing price of the ADRs immediately before the Effective Date.

As of April 5, 2023, the total number of ordinary shares issued and outstanding post the Share Consolidation and Mandatory Exchange was 46,538,116 shares.

	Ordinary Shares Beneficially Owned Number	Percentage (%)
<b>Directors and Executive Officers*:</b>		
Shi Qiu	—	—
Lynn Alan Curtis	—	—
Daniel Kelly Kennedy	—	—
Zheng Cui	—	—
Sun Qian	—	—
Cheng Hui	—	—
Xiang Qu	—	—
Er-Yi Toh	—	—
Cong Huang	—	—
Keith Tan Jun Jie	—	—
Yukuan Zhang	—	—
<b>Principal Shareholders</b>		
Hanqi Li (1)	18,716,579	40.22 %
Huangtong International Co., Ltd and Huang Tong International Co., Limited (2)	7,601,320	16.33 %
Hexin Global Limited (3)	5,769,231	12.40 %

\* The business address of the directors and officers is Room 1215, Xin'nan Block No.2, Yuehai Street, Nanshan District, Shenzhen City, 518000, Guangdong Province, People's Republic of China.

(1) Representing 18,716,579 ordinary shares held by Hanqi Li. The business address of Mr. Hanqi Li is Flat 35/F Tower 9 Grand Yoho, Yuen Long, Hong Kong

- (2) Representing 7,601,320 ordinary shares held by Huangtong International Co., Ltd and Huang Tong International Co., Limited, of these, Huangtong International Co., Ltd holds 6,795,455 ordinary shares and Huang Tong International Co., Limited holds 805,865 ordinary shares. Huang Tong International Co., Limited is a wholly-owned subsidiary of Huangtong International Co., Ltd, and Huangtong International Co., Ltd is owned by Sen Gao. The business address of Huangtong International Co., Ltd. is Room 1603, Shui On Centre, Wan Chai, Hong Kong. The business address of Huang Tong International Co., Limited. is Room 1215, Fiyta Technology Building Gaoxin South Road One, Nanshan District, Shenzhen, Guangdong, China.
- (3) Representing 5,769,231 ordinary shares held by Hexin Global Limited, which is owned by Chuntao Zhou. The business address of Hexin Global Limited is 7/F, 15 Shelter Street, Causeway Bay, Hong Kong

None of our existing shareholders has voting rights that will differ from the voting rights of other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. Major Shareholders

Please refer to "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

### B. Related Party Transactions

Nature of the relationships with related parties:

Name	Relationship with the Company
Kaiming Hu	Previous owner of NBpay group, former shareholder of Mercury
Zhiyou Wang	Former director of Mercury's affiliated companys, former shareholder of Mercury
Guoda Technology (Shenzhen) Co., Ltd.	A company associated with Zhiyou Wang
Radiance Holding (HK) Limited	Former shareholder of Mercury
Wei Zheng	Director of Mercury's affiliated companys
Ying Wang	Associated with Zhiyou Wang

- a) As of December 31, 2022, the following balance was due from the related party:

Net Amount due from the related party		As of December 31,
		2022
		US\$
Kaiming Hu	(i)	—
Guoda Technology (Shenzhen) Co., Ltd.	(ii)	—
Wei Zheng	(iii)	25,000

- i. The receivable due from Mr. Kaiming Hu is \$556,083 at the end of December 31, 2021, related to capital contribution. Due to the changes of the company's management and business team in the second half of 2021, the Company failed to collect the receivable from Mr. Kaiming Hu in a timely manner. The Company made full provision for doubtful accounts for this receivable at the end of 2021.
- ii. The amounts represent the receivables of \$1,503 due from Guoda Technology (Shenzhen) Co., Ltd. related to office lease fee settlement. As Guoda Technology (Shenzhen) Co., Ltd. ceased operations due to poor management in 2022, the Company was unable to recover this receivable, so the Company made full provision for doubtful accounts for this receivable in 2022.

- iii. On September 10, 2022, Mercurity Fintech Technology Holding Inc. ("MFH Tech"), a subsidiary of the Company, provided a loan of US \$25,000 to Mr. Wei Zheng, the director of MFH Tech, with a term of one year. As of December 31, 2022, Mr. Wei Zheng has not repaid the loan.

- b) As of December 31, 2022, the following balance was due to the related party:

<i>Net Amount due to the related party</i>		<b>As of December 31,</b>
		<b>2022</b>
		<b>US\$</b>
Zhiyou Wang	(i)	250,396
Radiance Holding (HK) Limited	(ii)	273,000
Ying Wang	(iii)	400,000

- i. The amounts represent the payables of \$ 250,396 due to Zhiyou Wang related to the Company's borrowing from shareholders because of a temporary shortage of RMB funds.
- ii. The amounts represent the payables of \$273,000 due to Radiance Holding (HK) Limited related to the Company's borrowing shares from shareholders to pay agency fees with 100,000 ADSs of the Company.
- iii. On June 13, 2022, the Company issued a promissory note to Ying Wang, a Singapore resident associated with Zhiyou Wang, in the principal amount of up to USD\$5,000,000 to provide for the Company's working capital. The Note has a term of one year with the maturity date on June 1, 2023 and bears no interest other than any applicable imputed interest charged by the appropriate government authority. The balance of the Note may be prepaid at any time before the Maturity Date. As of December 31, 2022, the Company has received USD\$0.4 million of the Note from the Noteholder.

### C. Interests of Experts and Counsel

Not applicable.

## ITEM 8. FINANCIAL INFORMATION

### A. Consolidated Statements and Other Financial Information

Please refer to "Item 18. Financial Statements" for our audited consolidated financial statements filed as part of this annual report.

### Legal Proceedings

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property infringement, breach of contract and labor and employment claims. Excepts as otherwise disclosed in this annual report, we are currently not a party to, and we are not aware of any threat of, any legal or administrative proceedings that, in the opinion of our management, are likely to have any material and adverse effect on our business, financial condition, cash flows or results of operations.

### Dividend Policy

Since our inception, we have not declared or paid any dividends on our ordinary shares. We have no present plan to pay any dividends on our ordinary shares in the foreseeable future. We intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Any future determination to pay dividends will be made at the discretion of our board of directors subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always 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. In addition, our shareholders may declare a dividend at a general meeting of our company. Our board of directors' decision to declare and pay dividends may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, the amount of distributions, if any, received by us from our US, Hong Kong and PRC subsidiaries, our general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

We are a holding company incorporated in the Cayman Islands. In order for us to distribute any dividends to our shareholders, we will rely on dividends distributed by our US, Hong Kong and PRC subsidiaries. Certain payments from our PRC subsidiary to us are subject to PRC taxes, such as withholding income tax. In addition, regulations in China currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. Our PRC subsidiary is required to set aside at least 10% of its after-tax profit based on PRC accounting standards every year to a statutory common reserve fund until the aggregate amount of such reserve fund reaches 50% of the registered capital of such subsidiary. Such statutory reserves are not distributable as loans, advances or cash dividends. Our PRC subsidiary may set aside a certain amount of its after-tax profits to other funds at its discretion. These reserve funds can only be used for specific purposes and are not transferable to the company's parent in the form of loans, advances or dividends. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure and Dependence on our Contractual Arrangements with our Affiliates—We rely principally on dividends and other distributions on equity paid by our US, Hong Kong and PRC subsidiaries to fund any cash and financing requirements we might have. Any limitation on the ability of our US, Hong Kong and PRC subsidiaries to pay dividends to us could have an adverse effect on our ability to conduct our business."

## **B. Significant Changes**

The severity of the COVID-19 pandemic in the first half of 2022 resulted in lockdowns, travel restrictions and quarantines imposed by the PRC government. Our PRC subsidiaries had been seriously impacted by the COVID-19 epidemic. Our PRC subsidiaries had been adversely affected by the foregoing measures and experienced disruption to our business operations, such as closure of office facilities and shortage of human resources.

Due to the dismantling of the VIEs and the cessation of all business related to the digital asset transaction platforms, as well as the temporary difficulties brought to us by the incident that our cryptocurrencies were out of control, the original Chinese technical team also left in the first half of 2022, and we failed to rebuild the technical service team in the second half of 2022. As a result, our blockchain technical services business did not generate any revenue in 2022.

According to our five-year business plan laid out in the second half of 2021, we had originally planned to start physical cryptocurrency mining operations in the United States on a large scale in March 2022, but due to the incident that our cryptocurrencies were out of control and the Bitcoin market price crash, we have delayed the implementation of some of these projects.

In the second half of 2022, our Board of the Directors and the management changed and the future business plan was recalibrated. Our business will include: 1) Distributed computing and storage services business, including cryptocurrency mining and distributed computing and storage services for more other application areas; 2) Digital consultation services, providing digital payment solutions, asset management, and a continued expansion into online and traditional brokerage services; 3) Blockchain technical services business, providing designing and developing digital asset transaction platforms, digital asset quantitative investment software and other innovative and derivative services based on blockchain technologies. In May 2022, we opened the US office in New York and moved our corporate headquarter from Shenzhen to New York.

On July 15, 2022, we incorporated Mercurity Fintech Technology Holding Inc.(the "MFH Tech") in New York to develop distributed computing and storage services (including cryptocurrency mining) and digital consultation services. We started digital consultation services operation in New York since August 2022 and started Filecoin mining operations in the United States since December 2022.



On January 28, 2023, we decided to write off NBpay Investment Limited and its subsidiaries, which are all shell companies without any assets, employees or business. After the adjustment of the above corporate structure, we will take MFH Tech, the US subsidiary, as the operating entity of distributed computing and storage services business and digital consultation services business in North America, and will take Mercurity Limited and its Hong Kong and China subsidiaries as the operating entities of blockchain technical services business and digital consultation services business in the Asia-Pacific region.

Except as disclosed in this Item 8B or 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. Offer and Listing Details**

See "C. Markets."

##### **B. Plan of Distribution**

Not applicable.

##### **C. Markets**

Our ordinary shares are listed on The Nasdaq Capital Market under the symbol "MFH."

##### **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 a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, and the Companies Act (As Revised), of the Cayman Islands, which is referred to as the Companies Act below. The following are summaries of material provisions of our fourth amended and restated memorandum and articles of association and the Companies Act insofar as they relate to the material terms of our ordinary shares.

##### **Registered Office and Objects**

Our registered office in the Cayman Islands is at Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Act, as amended from time to time, or any other law of the Cayman Islands.

## **Board of Directors**

A director is not required to hold any shares in our company by way of qualification. A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with us shall declare the nature of his interest at the meeting of the board of directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the board of directors after he knows that he is or has become so interested. Subject to any separate requirement for the approval of the audit committee of the board of directors under applicable law or the listing rules of Nasdaq, and unless disqualified by the chairman of the relevant board meeting, such director may vote with respect to any contract, proposed contract or arrangement in which he is so interested. A director may exercise all the powers of our company to raise or borrow money, and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital, and issue debentures, bonds or other securities, whether outright or as collateral security for any debt, liability or obligation of our company or of any third-party. The directors may receive such remuneration as our board may from time to time determine. There is no age limit requirement with respect to the retirement or non-retirement of a director. See also "Item 6. Directors, Senior Management and Employees—C. Board Practices."

## **Ordinary Shares**

### *General*

All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Our fourth amended and restated memorandum and articles of association do not permit us to issue bearer shares.

### *Dividends*

The holders of our ordinary shares are entitled to such dividends as may be declared by our shareholders or board of directors subject to the Companies Act and to the fourth amended and restated articles of association. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, and provided further that a dividend may not be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

### *Voting Rights*

Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of at least two-thirds of votes cast attached to the ordinary shares in a meeting. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

### *General Meetings of Shareholders*

Shareholders' meetings may be convened by our board of directors. Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our fourth amended and restated articles of association allow our shareholders holding shares representing in aggregate not less than 30% of our voting share capital in issue, to requisition an extraordinary general meeting of our shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our fourth amended and restated articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders. Advance notice in writing of at least ten clear days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least two shareholders present or by proxy, representing not less than one-third in nominal value of the total issued voting shares in our company.

#### *Transfer of Ordinary Shares*

Subject to the restrictions contained in our fourth amended and restated articles of association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists. Our board of directors may also decline to register any transfer of any ordinary share unless (a) the instrument of transfer is lodged with us or such other place at which the register of members is kept in accordance with Cayman Islands law, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer; (b) the instrument of transfer is in respect of only one class of shares; (c) the instrument of transfer is properly stamped, if required and; (e) a fee of such maximum sum as the Nasdaq Capital Market may determine to be payable or such lesser sum as the board may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they are required, within three months after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice requirement of the Nasdaq Capital Market, be suspended and the register closed at such times and for such periods as our directors may from time to time determine; provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our directors may determine.

#### *Liquidation*

On a return of capital on winding up or otherwise (other than on redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares will be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

#### *Calls on Ordinary Shares and Forfeiture of Ordinary Shares*

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.

#### *Share Repurchases*

We are empowered under our fourth amended and restated memorandum of association to purchase our shares subject to the Companies Act and our fourth amended and restated articles of association. Our fourth amended and restated articles of association provide that this power is exercisable by our board of directors in such manner, upon such terms and subject to such conditions as it in its absolute discretion thinks fit subject to the Companies Act and, where applicable, the rules of the Nasdaq Capital Market and the applicable regulatory authority.

#### *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, modified or abrogated with the sanction of a special resolution passed at a separate 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 special rights conferred upon the holders of the shares of any class issued with preferred or other rights will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

### *Inspection of Books and Records*

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (except for our memorandum and articles of association and our register of mortgages and charges). However, our fourth amended and restated articles of association provide our shareholders with the right to inspect our list of shareholders (on such days as our board of directors shall determine) and to receive annual audited financial statements.

### *Changes in Capital*

We may from time to time by ordinary resolution: (a) increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe; (b) consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares; (c) without prejudice to the powers of the board of directors under our articles of association, divide our shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively and preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the board of directors may determine (d) sub-divide our existing shares, or any of them into shares of a smaller amount; or (e) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled. We may by special resolution reduce our share capital or any capital redemption reserve in any manner permitted by law.

### *Register of Members*

Under Cayman Islands law, we must keep a register of members and there should be entered therein: (a) the names and addresses of the members, together with a statement of the shares held by each member, and such statement shall confirm (i) the amount paid or agreed to be considered as paid, on the shares of each member; (ii) the number and category of shares held by each member, and (iii) whether each relevant category of shares held by a member carries voting rights under the articles of association of the company, and if so, whether such voting rights are conditional; (b) the date on which the name of any person was entered on the register as a member; and (c) the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is *prima facie* evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members should be deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members. Once our register of members has been updated, the shareholders recorded in the register of members will be deemed to have legal title to the shares set against their name.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Cayman Islands Grand Court for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

### **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 statutory enactments in England. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States.

### *Mergers and Similar Arrangements*

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a "consolidation" means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company's articles of association.

The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a 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.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the Grand Court of the Cayman Islands can be expected to approve the arrangement if it determines that (a) the statutory provisions as to the required majority vote have been met; (b) 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; (c) 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 (d) the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

#### *Shareholders' Suits*

In principle, we will normally be the proper plaintiff 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, there are exceptions to the foregoing principle, including when (a) a company acts or proposes to act illegally or ultra vires; (b) 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 (c) those who control the company are perpetrating a "fraud on the minority."

#### *Indemnification of Directors and Executive Officers and Limitation of Liability*

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our fourth amended and restated memorandum and articles of association 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 which may attach to 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 intend to enter into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our fourth amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

*Anti-Takeover Provisions in the Memorandum and Articles of Association*

Some provisions of our fourth amended and restated memorandum and articles of association may discourage, delay or prevent a change in 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 memorandum and articles of association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

*Directors' Fiduciary Duties*

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 owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself 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. 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.

In addition, directors of a Cayman Islands company must not place themselves in a position in which there is a conflict between their duty to the company and their personal interests. However, this obligation may be varied by the company's articles of association, which may permit a director to vote on a matter in which he has a personal interest provided that he has disclosed that nature of his interest to the board. Our fourth amended and restated memorandum and articles of association provides that a director with an interest (direct or indirect) in a contract or arrangement or proposed contract or arrangement with the company must declare the nature of his interest at the meeting of the board of directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the board of directors after he is or has become so interested.

A general notice may be given at a meeting of the board of directors to the effect that (i) the director is a member/officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice in writing be made with that company or firm; or (ii) he is to be regarded as interested in any contract or arrangement which may after the date of the notice in writing to the board of directors be made with a specified person who is connected with him, will be deemed sufficient declaration of interest. Following the disclosure being made pursuant to our fourth amended and restated memorandum and articles of association and subject to any separate requirement for audit committee approval under applicable law or the listing rules of Nasdaq, and unless disqualified by the chairman of the relevant board meeting, a director may vote in respect of any contract or arrangement in which such director is interested and may be counted in the quorum at such meeting. However, even if a director discloses his interest and is therefore permitted to vote, he must still comply with his duty to act bona fide in the best interest of our company.

In comparison, 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 act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her 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, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

### *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. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. 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.

There are no statutory requirements under Cayman Islands law allowing our shareholders to requisition a shareholders' meeting. However, under our fourth amended and restated articles of association, on the requisition of shareholders representing not less than 30% of the voting rights entitled to vote at general meetings, the board shall convene an extraordinary general meeting. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings. Our fourth amended and restated articles of association provide that we may (but shall not be obliged to) in each calendar year hold a general meeting as our annual general meeting.

### *Cumulative Voting*

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our fourth amended and restated articles of association 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 fourth amended and restated articles of association, directors may be removed by an ordinary resolution of 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 or bylaws that is approved by its shareholders, 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 stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

#### *Dissolution; Winding Up*

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Act of the Cayman Islands and our fourth amended and restated articles of association, our company may be dissolved, liquidated or wound up by a special resolution of our shareholders. 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 fourth amended and restated articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the sanction of a special resolution passed 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 certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under Cayman Islands law, our fourth amended and restated memorandum and articles of association may only be amended by a special resolution of our shareholders.

#### *Rights of Non-Resident or Foreign Shareholders*

There are no limitations imposed by our fourth amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our fourth amended and restated memorandum and articles of association that require our company to disclose shareholder ownership above any particular ownership threshold.

#### *Directors' Power to Issue Shares*

Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

### **C. Material Contracts**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company," elsewhere in this annual report or below.

### **D. Exchange Controls**

The Cayman Islands currently has no exchange control regulations or currency restrictions. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Foreign Exchange."



## **E. Taxation**

*The following is a general summary of the material Cayman Islands, People's Republic of China and U.S. federal income tax consequences relevant to an investment in our ordinary shares. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any particular prospective purchaser. The discussion is based on laws and relevant interpretations thereof as of the date of this annual report, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address U.S. state or local tax laws, or tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States. You should consult your own tax advisors with respect to the consequences of acquisition, ownership and disposition of our ordinary shares.*

### **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 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 not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of the shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the Shares, nor will gains derived from the disposal of the shares be subject to Cayman Islands income or corporation tax.

### **People's Republic of China Taxation**

Under the Enterprise Income Tax Law and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China, enterprises established outside of China but whose "de facto management body" is located in China are considered "resident enterprises" for PRC tax purposes. Under the applicable implementation regulations, "de facto management body" is defined as the organizational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. Substantially all of our management is currently based in China, and may remain in China in the future. If we are treated as a "resident enterprise" for PRC tax purposes, foreign enterprise holders of our ordinary shares may be subject to a 10% PRC income tax upon dividends payable by us and on gains realized on their sales or other dispositions of our ordinary shares. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we could be classified as a 'resident enterprise' of China. Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders." In addition, gains derived by our non-PRC individual shareholders from the sale of our shares may be subject to a 20% PRC withholding tax. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to dividends realized by non-PRC individuals, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is unclear either whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise.

### **Material United States Federal Income Tax Considerations**

The following summary describes the material U.S. federal income tax consequences generally applicable to U.S. Holders (as defined below) of the ownership of our ordinary shares as of the date hereof. Except where noted, this summary deals only with ordinary shares held as capital assets for U.S. federal income tax purposes. As used herein, the term "United States Holder" or "U.S. Holders" means a beneficial owner of our ordinary share or ADS that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or

- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not represent a detailed description of all of the U.S. federal income tax consequences, including those that may be applicable to U.S. Holders if you are subject to special treatment under the United States federal income tax laws, such as:

- a broker-dealer in securities or currencies;
- a bank or other financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a pension plan;
- a cooperative;
- a tax-exempt organization (including a private foundation);
- Certain former U.S. citizens or long-term residents;
- a person holding our ordinary shares as part of a hedging, integrated or conversion transaction, a constructive or wash sale or a straddle;
- a dealer or trader in securities that use the mark-to-market method of accounting;
- a person who owns or is deemed to own 10% or more of our stock (by voter or value);
- a partnership or other pass-through entity for U.S. federal income tax purposes (or an investor therein);
- a person whose "functional currency" for U.S. federal income tax purposes is not the United States dollar;
- a person who acquires our ordinary shares through the exercise of an employee share option or otherwise as compensation; or
- persons holding our ordinary shares in connection with a trade or business, permanent establishment, or fixed place of business outside the United States.

In addition, this discussion does not address any state, local, estate, gift, alternative minimum or non-United States tax considerations, special accounting rules under Section 451(b) of the Code or the Medicare contribution tax on net investment income. Each U.S. Holder is urged to consult its tax advisor regarding the U.S. federal, state, local and non-United States income and other tax considerations of an investment in our ordinary shares.

The discussion below is based upon the provisions of the Code, final, temporary and proposed Treasury regulations promulgated thereunder, rulings, administrative pronouncements and judicial decisions as of the date hereof. Such authorities may be interpreted differently, replaced, revoked or modified, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. 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. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds our ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Such partnership or their partners should consult their tax advisors regarding an investment in our ordinary shares.

**This summary does not contain a detailed description of all the United States federal income tax consequences that may be applicable to you in light of your particular circumstances and, except as set forth below with respect to PRC tax considerations, does not address the effects of any state, local or non-United States tax laws. If you are considering the purchase, ownership or disposition of our ordinary shares, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.**

#### ***Taxation of Dividends and Other Distributions on our ordinary shares***

Subject to the discussion under "—Passive Foreign Investment Company" below, the gross amount of any distributions on our ordinary shares (including any amounts withheld to reflect PRC withholding taxes) will be taxable as dividends, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including withheld taxes) will be includable in a U.S. Holder's gross income as ordinary income on the day actually or constructively received by the U.S. Holder, in the case of the ordinary shares. Such dividends will not be eligible for the dividends received-deduction allowed to corporations under the Code.

Dividends paid to certain non-corporate United States Holders may be taxable at preferential rates applicable to long-term capital gain if we are treated as a "qualified foreign corporation," provided certain holding period requirements are met (as discussed below). A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on ordinary shares that are readily tradable on an established securities market in the United States. Our ordinary shares are listed on the Nasdaq Capital Market, and thus, pursuant to the United States Treasury Department guidance, our ordinary shares are treated as readily tradable on an established securities market in the United States. Thus, we believe that dividends we pay on our ordinary shares will meet the conditions required for the reduced tax rate.

A qualified foreign corporation also includes a foreign corporation that is eligible for the benefits of certain income tax treaties with the United States. In the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we believe that we would be eligible for the benefits of the income tax treaty between the United States and the PRC (including any protocol thereunder), or the Treaty, and if we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are readily tradable on an established securities market in the United States, would be eligible for the reduced tax rates. For a discussion regarding whether we may be classified as a PRC resident enterprise, see "Item 10. Additional Information—E. Taxation—People's Republic of China Taxation."

Even if dividends we pay on our ordinary shares would be treated as paid by a qualified foreign corporation, non-corporate U.S. Holders will not be eligible for the reduced tax rates if they do not hold our ordinary shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date or to the extent that such U.S. Holders elect to treat the dividend income as "investment income" under the Code. In addition, the tax rate reduction will not apply if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. The U.S. Holders should consult their tax advisors regarding the application of these rules in their particular circumstances.

Non-corporate U.S. Holders will not be eligible for the reduced tax rate on any dividends received from us if we are a PFIC for the taxable year in which such dividends are paid or for the preceding taxable year.

In the event that we are deemed to be a PRC resident enterprise under the PRC tax law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid to the U.S. Holder with respect to our ordinary shares. See "Item 10. Additional Information—E. Taxation—People's Republic of China Taxation." In that case, PRC withholding taxes on dividends (limited, in the case of a U.S. holder who qualifies for the benefits of the Treaty, to the extent not exceeding the applicable dividend withholding rate under the Treaty) generally will be treated as foreign taxes eligible for credit against the U.S. Holder's United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ordinary shares will be treated as foreign-source income and generally will constitute passive category income. 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.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the ordinary shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by a U.S. Holder on a subsequent disposition of the ordinary shares), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to calculate our earnings and profits in accordance with United States federal income tax principles. Therefore, U.S. Holders should expect that a distribution generally will be treated as a dividend (as discussed above).

#### ***Passive Foreign Investment Company***

If we are a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares, the U.S. Holder will generally be subject to the special tax rules discussed below, regardless of whether we remain a PFIC, except if the U.S. Holder makes a timely mark-to-market election discussed below.

These special tax rules generally apply to any "excess distribution" (generally any distribution paid during a taxable year to a U.S. Holder which 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) we make to the U.S. Holder and any gain realized from a sale or other disposition of our ordinary shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ordinary shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC with respect to the U.S. Holder (each, a "pre-PFIC year"), will be treated as ordinary income, and
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that taxable year; and
- the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares and any of our non-United States subsidiaries, including our VIEs, is also a PFIC, the 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. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries, including our VIEs.

As an alternative to the excess distribution rules discussed above, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to such stock. "Marketable stock" is generally stock that is regularly traded on a qualified exchange.

If the U.S. Holder makes an effective mark-to-market election, which is generally effective for the taxable year for which the election is made and all subsequent taxable years, the U.S. Holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of the ordinary shares held at the end of the taxable year over the adjusted tax basis in the ordinary shares, and (ii) deduct as an ordinary loss in each such taxable year the excess, if any, of the adjusted tax basis in the ordinary shares over their fair market value 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 ordinary shares would be adjusted to reflect any income or loss resulting from the mark-to-market election. Any gain the U.S. Holder recognizes upon the sale or other disposition of its ordinary shares in a year when we are a PFIC 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 we cease to be a PFIC, the U.S. Holder will not be required to take into account the gain or loss described above during any period that we are not a PFIC. Because a mark-to-market election cannot technically be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. U.S. Holders are urged to consult their tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

Instead of making a mark-to-market election, a U.S. investor in a PFIC may generally mitigate the adverse consequences of the excess distribution rules described above by electing to treat the PFIC as a "qualified electing fund" under the Code. However, we do not intend to provide the information necessary for U.S. Holders to make such an election.

We expect to file annual reports on Form 20-F with the U.S. Securities and Exchange Commission in which we will indicate whether we believe we were a PFIC for the relevant taxable year. We do not intend to make any other annual determination or otherwise notify U.S. Holders regarding our status as a PFIC for any taxable year. U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences of holding our ordinary shares if we are a PFIC in any taxable year.

***If a U.S. Holder owns (or is deemed to own) our ordinary shares during any taxable year that we are a PFIC, the U.S. Holder must generally file an annual IRS Form 8621 or such other form as is required by the United States Treasury Department with respect to us. Taxation of Capital Gains***

For U.S. federal income tax purposes, a U.S. Holder will generally recognize gain or loss on any sale or exchange of our ordinary shares in an amount equal to the difference between the amount realized for the ordinary shares and the U.S. Holder's adjusted tax basis in the ordinary shares. Subject to the discussion under "—Passive Foreign Investment Company" above, such gain or loss will generally be capital gain or loss. Any capital gain or loss will be long-term if the ordinary shares have been held for more than one year. The deductibility of capital losses may be subject to limitations.

Any such gain or loss the U.S. Holder recognizes will generally be treated as United States source income or loss for foreign tax credit limitation purposes, which will generally limit the availability of foreign tax credits. However, if we are treated as a PRC resident enterprise for PRC tax purposes and PRC tax were imposed on any gain, and if the U.S. Holder is eligible for the benefits of the Treaty, the U.S. Holder may elect to treat such gain as PRC source gain under the Treaty and, accordingly, the U.S. Holder may be able to credit the PRC tax against the U.S. Holder's United States federal income tax liability. If the U.S. Holder is not eligible for the benefits of the Treaty or fails to make the election to treat any gain as PRC source, then the U.S. Holder generally would not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of our ordinary shares unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. The U.S. Holder will be eligible for the benefits of the Treaty if, for purposes of the Treaty, the U.S. Holder is a resident of the United States, and the U.S. Holder meets other factual requirements specified in the Treaty. Because qualification for the benefits of the Treaty is a fact-intensive inquiry which depends upon the particular circumstances of each investor, U.S. Holders are specifically urged to consult their tax advisors regarding their eligibility for the benefits of the Treaty and the availability of the foreign tax credit and the election to treat any gain as PRC source under their particular circumstances.

#### ***Information Reporting and Backup Withholding***

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

### ***Foreign Asset Reporting***

Certain U.S. Holders who are individuals (and under proposed regulations, certain entities) may be required to report information relating to an interest in our ordinary shares, subject to certain exceptions (including an exception for shares held in accounts maintained by U.S. financial institutions) on IRS Form 8938. U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our ordinary shares.

### **F. Dividends and Paying Agents**

Not applicable.

### **G. Statement by Experts**

Not applicable.

### **H. Documents on Display**

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are not subject to the insider short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act.

All information that we have filed with the SEC can be accessed through the SEC's website at [www.sec.gov](http://www.sec.gov). This information can also be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms.

In accordance with Nasdaq Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at [ir.mercurity.com](http://ir.mercurity.com). In addition, we will provide hard copies of our annual report free of charge to shareholders and ADS holders upon request.

### **I. Subsidiary Information**

For a list of our subsidiaries, see "Item 4. Information on the Company—C. Organizational Structure."

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Foreign Exchange Risk**

Pursuant to the agreements with our current customer, the service fees we receive from our customer are denominated in U.S. dollars. Substantially all of our costs and operating expenses are paid in U.S. dollars. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk.

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For U.S. dollar against RMB, there was depreciation of approximately 2.3% in the years ended December 31, 2021 and appreciation of approximately 8.2% in the year ended December 31, 2022. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollar into RMB for capital expenditures and working capital and other business purposes in China, appreciation of RMB against U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollar for the purpose of making payments for dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to us. In addition, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings or losses.

#### **Interest Rate Risk**

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits and lending to the discontinued business that was disposed. We had net interest income of US\$ \$5,118 for the year ended December 31, 2022. We had cash and cash equivalents of US\$ \$7,446,664 as of December 31, 2022. Assuming such amount of cash and cash equivalents are held entirely in interest-bearing bank deposits, a hypothetical one percentage point (100 basis-point) decrease in interest rates would decrease our interest income from these interest-bearing bank deposits for one year by approximately US\$74,467. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

#### **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**

None.

#### **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

#### **ITEM 14E. USE OF PROCEEDS**

The following "Use of Proceeds" information relates to the registration statement on Form F-1 (File No. 333-201413) for our initial public offering of 4,000,000 ADSs, which became effective on March 31, 2015. We received net proceeds of approximately US\$37.3 million from our initial public offering, all of which we have already applied to our operations thereafter.

## **ITEM 15. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, our disclosure controls and procedures were effective as of December 31, 2022 in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

### **Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed under the supervision of our chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with the U.S. generally accepted accounting principles.

After our acquisition of Mercurity Limited and NBpay, the scope of our internal controls over financial reporting did not incur any significant change. We also performed a related assessment based on this new control environment and change in scope.

Our management, including our chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, our management used the framework set forth in the report Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication and (v) monitoring.

Based on that evaluation, our management concluded that these controls were effective on December 31, 2022.

### **Attestation Report of the Registered Public Accounting Firm**

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting, because we are neither a "large accelerated filer" nor an "accelerated filer" as such terms are defined in Rule 12b-2 under the Exchange Act.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 16. [Reserved]**

### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board of directors has determined that Xiang Qu, chairman of our audit committee, meets the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC and meets the criteria for independence set forth in Rule 10A-3 under the Exchange Act.



## ITEM 16B. CODE OF ETHICS

Our board of directors has adopted an Anti-corruption policy and revised code of business conduct and ethics which is applicable to our directors, officers and employees on November 24, 2020. We have filed our revised code of business conduct and ethics as an exhibit to this annual report.

## 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 our principal external accounting firms.

	For the Year Ended December 31,	
	2022	2021
Audit Fees	71,200	106,000
Audit-Related Fees	—	77,500
Tax Fees	—	—
All Other Fees	—	36,000
<b>Total</b>	<b>\$ 71,200</b>	<b>\$ 219,500</b>

**Audit Fees** — This category includes the audit of our annual financial statements and services that are normally provided by the independent auditors in connection with engagements for those fiscal years. As our 2022 audit actually begins in 2023, audit expenses for our 2022 audit are not recognized in our 2022 financial statements.

**Audit-Related Fees** — This category consists of assurance and related services by the independent auditors that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees".

**Tax Fees** — This category consists of professional services rendered by the Company's independent registered public accounting firm for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

**All Other Fees** — This category consists of fees for other miscellaneous items.

The policy of our audit committee is to pre-approve all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm.

## ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

## ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

## ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

On January 27, 2023, we dismissed Shanghai Perfect C.P.A. Partnership ("Shanghai Perfect") as our independent registered public accounting firm. Effective from January 27, 2023, we appointed Onestop Assurance PAC, or Onestop, as our new independent registered public accounting firm. The change of our independent registered public accounting firm was approved by the audit committee of our board.

Shanghai Perfect's audit reports on our consolidated financial statements as of December 31, 2019, 2020 and 2021 did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles.

During each of the years ended December 31, 2019, 2020 and 2021, there were (i) no disagreements between us and Shanghai Perfect on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, any of which, if not resolved to Shanghai Perfect's satisfaction, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report, and (ii) there were no reportable events of the type described in Item 304(a)(1)(v) of Regulation S-K.

We provided Shanghai Perfect with a copy of the disclosures from the first paragraph to the third paragraph under this Item 16F and requested from Shanghai Perfect a letter addressed to the Securities and Exchange Commission indicating whether it agrees with such disclosures. A copy of Shanghai Perfect's letter dated April 25, 2023 is attached as Exhibit 15.3.

During each of the years ended December 31, 2019, 2020 and 2021 and the subsequent interim period through January 27, 2023, neither we nor anyone on behalf of us has consulted with Onestop regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report nor oral advice was provided to us that Onestop concluded was an important factor considered by us in reaching a decision as to any accounting, auditing, or financial reporting issue, (ii) any matter that was the subject of a disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (iii) any reportable event pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

After considering all the facts and circumstances, our audit committee determined that Onestop Assurance PAC would be capable of exercising objective and impartial judgment in connection with the audits of our financial statements.

Therefore, with respect to the independence matter described above, we concluded that a reasonable investor with knowledge of all relevant facts and circumstances would conclude that Onestop Assurance PAC was and would be capable of exercising objective and impartial judgment in connection with the audits of our financial statement for the fiscal year ended December 31, 2022 and future periods.

#### **ITEM 16G. CORPORATE GOVERNANCE**

We are incorporated in the Cayman Islands and our corporate governance practices are governed by applicable Cayman Islands law. In addition, because our ordinary shares are listed on The Nasdaq Capital Market, we are subject to Nasdaq's corporate governance requirements. Nasdaq Stock Market Rule 5615(a)(3) permits a foreign private issuer like us to follow home country practices in lieu of certain requirements of Rule 5600, provided that such foreign private issuer discloses in its annual report filed with the SEC each requirement of Rule 5600 that it does not follow and describes the home country practice followed in lieu of such requirement.

Nasdaq Marketplace Rule 5615(a)(3) permits a foreign private issuer like us to follow home country practices in lieu of certain requirements of Rule 5600, provided that such foreign private issuer discloses in its annual report filed with the SEC each requirement of Rule 5600 that it does not follow and describes the home country practice followed in lieu of such requirement.

We have informed Nasdaq that we will follow home country practice in place of all of the requirements of Rule 5600 other than those rules which we are required to follow pursuant to the provisions of Rule 5615(a)(3).

- Rule 5605(b), pursuant to which (i) a majority of the board of directors must be comprised of Independent Directors, and (ii) the Independent Directors must have regularly scheduled meetings at which only Independent Directors are present.
- Rule 5605(c) (other than those parts as to which the home country exemption is not applicable), pursuant to which each company must have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom must meet criteria set forth in Rule 5605(c)(2)(A).
- Rule 5605(d), pursuant to which each company must (i) certify that it has adopted a formal written compensation committee charter and that the compensation committee will review and reassess the adequacy of the formal written charter on an annual basis, and (ii) have a compensation committee of at least two members, each of whom must be an Independent Director.
- Rule 5605(e), pursuant to which director nominees must be selected, or recommended for the Board's selection, either by Independent Directors constituting a majority of the Board's Independent Directors in a vote in which only Independent Directors participate, or a nominations committee comprised solely of Independent Directors.

- Rule 5610, pursuant to which each company shall adopt a code of conduct applicable to all directors, officers and employees.
- Rule 5620(a), pursuant to which each company listing common stock or voting preferred stock, or their equivalents, shall hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year-end.
- Rule 5620(b), pursuant to which each company shall solicit proxies and provide proxy statements for all meetings of shareholders and shall provide copies of such proxy solicitation to Nasdaq.
- Rule 5620(c), pursuant to which each company that is not a limited partnership shall provide for a quorum as specified in its by-laws for any meeting of the holders of common stock; provided, however, that in no case shall such quorum be less than 33 1/3% of the outstanding shares of the company's common voting stock.
- Rule 5630, pursuant to which each company that is not a limited partnership shall conduct an appropriate review and oversight of all related party transactions for potential conflict of interest situations on an ongoing basis by the company's audit committee or another independent body of the board of directors.
- Rule 5635(a), pursuant to which shareholder approval is required in certain circumstances prior to an issuance of securities in connection with the acquisition of the stock or assets of another company.
- Rule 5635(b), pursuant to which shareholder approval is required prior to the issuance of securities when the issuance or potential issuance will result in a change of control of the company.
- Rule 5635(c), pursuant to which shareholder approval is required prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants, subject to certain exceptions.
- Rule 5635(d), pursuant to which shareholder approval is required prior to the issuance of securities in connection with a transaction other than a public offering involving:
  - the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable for common stock) at a price less than the greater of book or market value which together with sales by officers, directors or Substantial Shareholders of the company equals 20% or more of common stock or 20% or more of the voting power outstanding before the issuance; or
  - the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable common stock) equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock.

#### **ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

#### **ITEM 16L. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

### **PART III**

#### **ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

Our audited consolidated financial statements are included at the end of this annual report.

**ITEM 19. EXHIBITS.**

1.1	<a href="#">Fourth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to exhibit 1.1 of our annual report on Form 20-F filed with the SEC on June 12, 2020)</a>
2.1	<a href="#">Description of Securities (incorporated by reference to exhibit 2.3 of our annual report on Form 20-F filed with the SEC on June 12, 2020)</a>
2.2	<a href="#">Specimen Certificate for Ordinary Shares (incorporated by reference to exhibit 4.2 to our F-1 registration statement (File No. 333-201413) initially filed with the SEC on January 9, 2015)</a>
4.1	<a href="#">Amended and Restated 2011 Share Incentive Plan (incorporated by reference to exhibit 10.1 to our S-8 registration statement (File No. 333-206466) filed with the SEC on August 19, 2015)</a>
4.2	<a href="#">2020 Share Incentive Plan (incorporated by reference to Exhibit 4.2 of the annual report on Form 20-F filed with the SEC on June 15, 2022)</a>
4.3	<a href="#">2021 Share Incentive Plan (incorporated by reference to exhibit 10.1 to our S-8 registration statement (File No. 333-259774) filed with the SEC on September 24, 2021)</a>
4.4*	<a href="#">2022 Share Incentive Plan</a>
4.5	<a href="#">Share Purchase Agreement, dated as of September 2, 2021, by and between the Registrant and TFAO TECHNOLOGY CO., LIMITED, GUANRUI TECHNOLOGY CO., LIMITED and Xuan Ying Co., Ltd (incorporated by reference to Exhibit 4.7 of the annual report on Form 20-F filed with the SEC on June 15, 2022)</a>
4.6	<a href="#">Share Purchase Agreement, dated as of September 27, 2021, by and between the Registrant and Newlight X Ltd. (incorporated by reference to Exhibit 4.9 of the annual report on Form 20-F filed with the SEC on June 15, 2022)</a>
4.7	<a href="#">Share Purchase Agreement, dated as of September 27, 2021, by and between the Registrant and Castlewood Fintech Ltd. (incorporated by reference to Exhibit 4.10 of the annual report on Form 20-F filed with the SEC on June 15, 2022)</a>
4.8	<a href="#">Share Purchase Agreement, dated as of September 27, 2021, by and between the Registrant and Brighton Fintech Ltd. (incorporated by reference to Exhibit 4.11 of the annual report on Form 20-F filed with the SEC on June 15, 2022)</a>
4.9	<a href="#">English translation of Termination Agreement Re Existing Control Documents, dated as of January 15, 2022, by and among Beijing Lianji Future Technology Co., Ltd., Beijing Lianji Technology Co., Ltd. and the shareholders of Beijing Lianji Technology Co., Ltd. (incorporated by reference to exhibit 10.1 to current report on Form 6-K filed with the SEC on February 7, 2022)</a>
4.10	<a href="#">English translation of Termination Agreement Re Existing Control Documents, dated as of January 15, 2022, by and among Beijing Lianji Future Technology Co., Ltd., Mercury (Beijing) Technology Co., Ltd. and the shareholders of Mercury (Beijing) Technology Co., Ltd. (incorporated by reference to exhibit 10.2 to current report on Form 6-K filed with the SEC on February 7, 2022)</a>
4.11	<a href="#">Promissory note in the principal amount of up to USD\$5,000,000 dated June 13, 2022 (incorporated by reference to exhibit 4.1 to current report on Form 6-K filed with the SEC on June 17, 2022)</a>
4.12*	<a href="#">Share Purchase Agreement, dated as of November 11, 2022</a>
4.13*	<a href="#">Share Purchase Agreement, dated as of November 30, 2022</a>
4.14*	<a href="#">Asset Purchase Agreement, dated as of December 15, 2022</a>
4.15*	<a href="#">Share Purchase Agreement, dated as of December 23, 2022</a>
4.16*	<a href="#">Securities Purchase Agreement dated as of January 31, 2023, for the issuance of an Unsecured Convertible Promissory Note</a>
4.17	<a href="#">The Chief Executive Officer Employment Agreement with Mercury Fintech Holding Inc. (incorporated by reference to Exhibit 4.17 of the annual report on Form 20-F filed with the SEC on June 15, 2022)</a>
4.18	<a href="#">The Chief Operating Officer Employment Agreement with Mercury Fintech Holding Inc. (incorporated by reference to Exhibit 10.1 of Form 6-K filed with the SEC on October 18, 2022)</a>
8.1*	<a href="#">List of Subsidiaries of the Registrant</a>
11.1	<a href="#">Revised Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 11.1 of the annual report on Form 20-F filed with the SEC on June 15, 2022)</a>
12.1*	<a href="#">Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002</a>
12.2*	<a href="#">Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002</a>
13.1**	<a href="#">Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002</a>
13.2**	<a href="#">Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002</a>
15.1*	<a href="#">Consent of Onestop Assurance PAC</a>

15.2*	<a href="#">Consent of Shanghai Perfect C.P.A. Partnership</a>
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

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\* Filed herewith

\*\* 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.

**Mercurity Fintech Holding Inc.**  
(Registrant)

Date: April 25, 2023

By: /s/ Shi Qiu  
Shi Qiu  
Chief Executive Officer

Date: April 25, 2023

By: /s/ Yukuan Zhang  
Yukuan Zhang  
Chief Financial Officer

MERCURY FINTECH HOLDING INC.

FORMERLY KNOWN AS JMU LIMITED

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Mercury Fintech Holding Inc.:

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Mercury Fintech Holding Inc. and subsidiaries (the "Company") as of December 31, 2022, and the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for the year ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial positions of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

### Restatement of 2020 and 2021 Financial Statements

As discussed in Note 2 to the consolidated financial statements, the 2020 and 2021 financial statements have been restated to correct certain misstatements.

### Going Concern Uncertainty

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has incurred recurring operating losses and negative cash flows from operating activities and has an accumulated deficit, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

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

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

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

### Critical Audit Matter

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

### ***Impairment of Intangible Assets***

As described in Note 9 to the financial statements, the Company recorded its digital currencies as intangible asset, with a carrying amount of \$8.3 million. The Company estimated the fair values of the cryptocurrencies based on the intraday low price every day and recognized \$3.1 million impairment loss for the year ended December 31, 2022.

The principal consideration for our determination that auditing impairment of intangible assets is a critical audit matter is due to the degree of complexity and judgment used by management in developing the fair value measurement, which led to a high degree of audit judgment and subjectivity and significant effort in performing procedures relating to fair value measurement. Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included (1) reviewing procedures of management's impairment assessment, (2) evaluating the reasonableness of the valuation methodology used by management and (3) testing the completeness and accuracy of the underlying data used by the management.

### ***Legal Proceeding of Intangible Assets Stored in the Out-of-control Cold Wallets***

As disclosed in Note 9 and Note 19 to the financial statements, the book value on December 31, 2022 of the Bitcoins and USD Coins stored in the Company's out-of-control wallets was \$3,944,808. As the Recovery Proceeding has not yet concluded, the Company's financial statements for the year ended December 31, 2022 do not recognize any related losses on the digital assets currently being held temporarily by the Public Security Bureau.

We determined that the legal proceeding is a critical audit matter as there was significant judgment made by management when assessing the likelihood of a loss being incurred and when estimating the loss or range of loss for each claim, which in turn led to significant auditor judgment, subjectivity, and effort in performing procedures and evaluating management's assessment of the liabilities and disclosures related to legal proceedings contingencies.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included (1) obtaining and evaluating the legal opinion provided by external legal counsel; (2) evaluating the reasonableness of management's assessment regarding whether an unfavorable outcome is reasonably possible or probable and reasonably estimable; (3) evaluating the sufficiency of the Company's disclosures related to legal proceedings.

/s/ Onestop Assurance PAC

We have served as the Company's auditor since 2023.

Singapore

April 25, 2023

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Mercury Fintech Holding Inc. (formerly known as JMU Limited):

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Mercury Fintech Holding Inc. (formerly known as JMU Limited) (the "Company") as of December 31, 2020 and 2021, the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2021, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

### 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 PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. 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/ Shanghai Perfect C.P.A Partnership  
Shanghai Perfect C.P.A Partnership

Shanghai, the People's Republic of China

April 25, 2023

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	Note	December 31, 2022	December 31, 2021 (as restated)
<b>ASSETS:</b>			
<b>Current assets:</b>			
Cash and cash equivalents		7,446,664	440,636
Security deposit	5	33,909	—
Accounts receivable	6	—	—
Prepaid expenses and other current assets, net	7	10,925	1,295,362
Amounts due from related parties	15	25,000	1,503
Assets relating to discontinued operations		—	4,403
<b>Total current assets</b>		<b>\$ 7,516,498</b>	<b>\$ 1,741,904</b>
<b>Non-current assets:</b>			
Operating right-of-use assets, net	12	873,878	—
Property and equipment, net	8	5,961,173	—
Intangible assets, net (including digital assets wrongfully seized and impounded by the Sheyang County Public Security Bureau of China, with a book value of \$3,944,808 as of December 31, 2022)	9	4,233,228	7,277,717
Security deposit	4	57,300	—
Deferred tax assets	11	251,005	—
<b>Total non-current assets</b>		<b>\$ 11,376,584</b>	<b>\$ 7,277,717</b>
<b>TOTAL ASSETS</b>		<b>\$ 18,893,082</b>	<b>\$ 9,019,621</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY:</b>			
<b>Current liabilities:</b>			
Accrued expenses and other current liabilities	10	236,490	218,437
Amounts due to related parties	15	923,596	1,122,607
Operating lease liabilities	12	269,675	—
Current liabilities of discontinued operations		—	30,938
<b>Total current liabilities</b>		<b>\$ 1,429,761</b>	<b>\$ 1,371,982</b>

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (CONTINUED)  
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	Note	December 31, 2022	December 31, 2021 ( as restated )
<b>LIABILITIES AND SHAREHOLDER'S EQUITY (CONTINUED):</b>			
<b>Non-current liabilities:</b>			
Operating lease liabilities	12	634,457	—
<b>Total non-current liabilities</b>		<b>\$ 634,457</b>	<b>\$ —</b>
<b>TOTAL LIABILITIES</b>		<b>\$ 2,064,218</b>	<b>\$ 1,371,982</b>
Commitments and contingencies	16		
<b>Shareholders' equity:</b>			
Ordinary shares (\$0.00001 par value, 25,000,000,000 shares authorized as of December 31, 2021 and 2022, and 4,937,916,229 and 14,069,445,558 shares issued and outstanding as of December 31, 2021 and 2022)	13	140,716	49,401
Additional paid-in capital		682,848,997	668,183,689
Accumulated deficit		(667,320,289)	(661,685,318)
Accumulated other comprehensive (loss)/income		1,159,440	1,099,867
<b>Total shareholders' equity</b>		<b>\$ 16,828,864</b>	<b>\$ 7,647,639</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 18,893,082</b>	<b>\$ 9,019,621</b>

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

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In U.S. dollars, except for number of shares and per share (or ADS) data)

		For the year Ended December 31,		
	Note	2022	2021	2020
			( as restated )	( as restated )
<b>Revenue:</b>				
Technical services		—	5,864	1,402,300
Cryptocurrency mining		783,438	664,307	—
Consultation services		80,000	—	—
<b>Total Revenue</b>		<b>\$ 863,438</b>	<b>\$ 670,171</b>	<b>\$ 1,402,300</b>
<b>Cost of Revenue:</b>				
Technical services		—	—	(79,150)
Cryptocurrency mining		(1,361,600)	(702,679)	—
Consultation services		(19,000)	—	—
<b>Total Cost of Revenue</b>		<b>\$ (1,380,600)</b>	<b>\$ (702,679)</b>	<b>\$ (79,150)</b>
<b>Gross profit</b>		<b>\$ (517,162)</b>	<b>\$ (32,508)</b>	<b>\$ 1,323,150</b>
<b>Operating expenses:</b>				
Sales and marketing		(35,000)	—	—
General and administrative		(2,156,063)	(10,351,357)	(1,156,574)
Provision for doubtful accounts		(3,138)	(1,750,909)	—
(Loss)/income on disposal of intangible assets		(29,968)	121,020	—
Impairment loss of intangible assets	9	(3,144,053)	(1,292,568)	(835,344)
Impairment loss of goodwill		—	—	—
<b>Total operating expenses</b>		<b>\$ (5,368,222)</b>	<b>\$ (13,273,814)</b>	<b>\$ (1,991,918)</b>
<b>Operating loss from continuing operations</b>		<b>\$ (5,885,384)</b>	<b>\$ (13,306,322)</b>	<b>\$ (668,768)</b>
Interest income, net		5,118	1,083	7,983
Other income/(expenses), net		1,248	(143)	(32,533)
Loss from disposal of subsidiaries	1	(4,664)	—	—
<b>Loss before provision for income taxes</b>		<b>\$ (5,883,682)</b>	<b>\$ (13,305,382)</b>	<b>\$ (693,318)</b>
Income tax benefits	11	248,711	—	—
<b>Loss from continuing operations</b>		<b>\$ (5,634,971)</b>	<b>\$ (13,305,382)</b>	<b>\$ (693,318)</b>
<b>Discontinued operations:</b>				
Loss from discontinued operations	1	—	(8,360,322)	(957,955)
<b>Net loss</b>		<b>\$ (5,634,971)</b>	<b>\$ (21,665,704)</b>	<b>\$ (1,651,273)</b>
<b>Net loss attributable to holders of ordinary shares of Mercury Fintech Holding Inc.</b>		<b>\$ (5,634,971)</b>	<b>\$ (21,665,704)</b>	<b>\$ (1,651,273)</b>

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)  
(In U.S. dollars, except for number of shares and per share (or ADS) data)

		For the year Ended December 31,		
	Note	2022	2021	2020
			( as restated )	( as restated )
Numerator				
Net loss attributable to holders of ordinary shares of Mercury Fintech Holding Inc.				
		\$ (5,634,971)	\$ (21,665,704)	\$ (1,651,273)
Continuing operations		(5,634,971)	(13,305,382)	(693,318)
Discontinued operations		—	(8,360,322)	(957,955)
Denominator				
Weighted average shares used in calculating basic net loss per ordinary share	2	14,435,674	9,720,934	6,689,704
Weighted average shares used in calculating diluted net loss per ordinary share	2	14,435,674	9,720,934	6,689,704
Net Loss per ordinary share				
Basic	2	(0.39)	(2.23)	(0.25)
Diluted	2	(0.39)	(2.23)	(0.25)
Net Loss per ordinary share from continuing operation				
Basic	2	(0.39)	(1.37)	(0.10)
Diluted	2	(0.39)	(1.37)	(0.10)
Net Loss per ordinary share from discontinued operation				
Basic	2	—	(0.86)	(0.14)
Diluted	2	—	(0.86)	(0.14)

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

**MERCURITY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)  
(In U.S. dollars, except for number of shares and per share (or ADS) data)

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	Note	For the year Ended December 31,		
		2022	2021 ( as restated )	2020 ( as restated )
Net loss		\$ (5,634,971)	\$ (21,665,704)	\$ (1,651,273)
Change in cumulative foreign currency trans adjustment		28,289	3,285	45,396
Comprehensive loss		\$ (5,606,682)	\$ (21,662,419)	\$ (1,605,877)

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



**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	Ordinary shares		Additional paid-in Capital	Accumulated deficit	Accumulated Other comprehensive loss	Total Mercury Fintech Holding Inc. shareholders' equity	Total Shareholders' equity
	Number of Shares	Amount					
Balance as of January 1, 2022	4,937,916,229	49,401	668,183,689	(661,685,318)	1,099,867	7,647,639	7,647,639
Share-based compensation (Note 14)	205,800,000	2,058	556,337	—	—	558,395	558,395
Issuance of shares as a consideration for acquisition (Note 13)	2,718,181,818	27,182	6,270,746	—	—	6,297,928	6,297,928
Issuance of shares in the private placement (Note 13)	6,207,547,511	62,075	7,838,225	—	—	7,900,300	7,900,300
Net loss	—	—	—	(5,634,971)	31,284	(5,603,687)	(5,603,687)
Foreign currency translation	—	—	—	—	28,289	28,289	28,289
Balance as of December 31, 2022	14,069,445,558	140,716	682,848,997	(667,320,289)	1,159,440	16,828,864	16,828,864

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)  
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	Ordinary shares		Additional paid-in Capital	Accumulated deficit	Accumulated Other comprehensive loss	Total Mercury Fintech Holding Inc. shareholders' equity	Total Shareholders' equity
	Number of Shares	Amount					
Balance as of January 1, 2021 (as restated)	2,978,278,329	29,805	649,145,830	(640,019,614)	1,096,582	10,252,603	10,252,603
Share options exercised	3,602,880	36	13,058	—	—	13,094	13,094
Share-based compensation (Note 14)	603,177,880	6,032	8,343,830	—	—	8,349,862	8,349,862
Issuance of shares in the private placement (Note 13)	1,352,857,140	13,528	10,680,971	—	—	10,694,499	10,694,499
Net loss	—	—	—	(21,665,704)	—	(21,665,704)	(21,665,704)
Foreign currency translation	—	—	—	—	3,285	3,285	3,285
Balance as of December 31, 2021 (as restated)	4,937,916,229	49,401	668,183,689	(661,685,318)	1,099,867	7,647,639	7,647,639

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)  
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	Ordinary shares		Additional paid-in Capital	Accumulated deficit	Accumulated Other comprehensive loss	Total Mercury Fintech Holding Inc. shareholders' equity	Total Shareholders' equity
	Number of Shares	Amount					
Balance as of January 1, 2020 (as restated)	2,108,869,528	21,096	645,330,800	(638,368,341)	1,051,186	8,034,741	8,034,741
Share options exercised	18,270,720	184	—	—	—	184	184
Share-based compensation (Note 14)	—	—	285,950	—	—	285,950	285,950
Issuance of shares as a consideration for acquisition (Note 13)	761,789,601	7,618	3,229,987	—	—	3,237,605	3,237,605
Issuance of shares in the private placement (Note 13)	90,000,000	900	299,100	—	—	300,000	300,000
Net loss	—	—	—	(1,651,273)	—	(1,651,273)	(1,651,273)
Foreign currency translation	—	—	—	—	45,396	45,396	45,396
Settlement of share options exercised with shares held by depository bank	(650,520)	7	(7)	—	—	—	—
Balance as of December 31, 2020 (as restated)	2,978,278,329	29,805	649,145,830	(640,019,614)	1,096,582	10,252,603	10,252,603

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	For the year Ended December 31,		
	2022	2021	2020
		( as restated )	( as restated )
<b>Cash flows from operating activities:</b>			
Net loss	(5,634,971)	(21,665,704)	(1,651,273)
Less: Net loss from discontinued operations	—	(8,360,322)	(957,955)
Net loss from continuing operations	(5,634,971)	(13,305,382)	(693,318)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>			
Provision for doubtful accounts	3,138	1,750,909	—
Impairment loss of intangible assets	3,144,053	1,292,568	835,344
Depreciation of fixed assets and amortization of intangible assets	28,950	—	—
Stock-based compensation	558,395	8,349,862	286,132
Loss from disposal of subsidiaries	4,664	—	—
Other income/(expenses)	23,318	—	—
Changes in operating assets and liabilities, net of effect of acquisitions:			
Digital assets generated from mining business	(783,438)	(664,307)	—
Digital assets received as payment	—	(5,864)	(17,863)
Digital assets used to pay expenses	—	2,141,375	6,924
Disposal of digital assets	998,902	325,987	647
Accounts receivable, net of allowance	—	380,510	835,533
Prepaid expenses and other current assets	1,281,109	(1,105,481)	(740,150)
Right-of-use assets	(873,878)	—	—
Deferred tax assets	(251,005)	—	—
Accounts payable	22,075	—	—
Advance from customers	80,000	—	—
Accrued expenses and other current liabilities	(87,867)	(184,429)	(161,626)
Lease liabilities	904,132	—	—
<b>Net cash (used in)/provided by continuing operations</b>	<b>\$ (582,423)</b>	<b>\$ (1,024,252)</b>	<b>\$ 351,623</b>
Net cash used in discontinued operations	—	(386,777)	(957,591)
<b>Net cash used in operating activities</b>	<b>\$ (582,423)</b>	<b>\$ (1,411,029)</b>	<b>\$ (605,968)</b>
<b>Cash flows from investing activities:</b>			
Purchase of fixed assets	(7,222)	—	—
Loan to affiliate person	(25,000)	—	—
<b>Net cash used in continuing operations</b>	<b>\$ (32,222)</b>	<b>\$ —</b>	<b>\$ —</b>
Net cash provided by discontinued operations	—	—	144
<b>Net cash (used in)/provided by investing activities</b>	<b>\$ (32,222)</b>	<b>\$ —</b>	<b>\$ 144</b>

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

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
(In U.S. dollars, except for number of shares and per share (or ADS) data)

	For the year Ended December 31,		
	2022	2021	2020
		( as restated )	( as restated )
<b>Cash flows from financing activities:</b>			
Issuance of common stock	7,900,300	713,082	300,000
Borrowings	400,000	935,793	—
Cash paid for debt	(579,875)	(93,091)	—
<b>Net cash provided by continuing operations</b>	<b>\$ 7,720,425</b>	<b>\$ 1,555,784</b>	<b>\$ 300,000</b>
Net cash provided by discontinued operations	—	120,419	—
<b>Net cash provided by financing activities</b>	<b>\$ 7,720,425</b>	<b>\$ 1,676,203</b>	<b>\$ 300,000</b>
Effect of exchange rate changes by continuing operations	(8,543)	2,953	43,374
Effect of exchange rate changes by discontinued operations	—	403	2,022
<b>Effect of exchange rate changes</b>	<b>\$ (8,543)</b>	<b>\$ 3,356</b>	<b>\$ 45,396</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>\$ 7,097,237</b>	<b>\$ 268,530</b>	<b>\$ (260,428)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>\$ 440,636</b>	<b>\$ 174,783</b>	<b>\$ 435,211</b>
Cash and cash equivalents of continuing operations, end of the year	7,537,873	440,636	142,557
Cash and cash equivalents of discontinued operations, end of the year	—	2,677	32,226
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 7,537,873</b>	<b>\$ 443,313</b>	<b>\$ 174,783</b>
Supplement disclosure of cash flow information Interest paid	—	—	4

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

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## **1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Mercury Fintech Holding Inc. (the "Company"), was incorporated in Cayman Islands on July 13, 2011. On December 28, 2016, the Company changed its name from Wowo Limited to JMU Limited. On April 30, 2020, the Company changed its name from JMU Limited to Mercury Fintech Holding Inc., The Company completed its initial public offering ("IPO") in National Association of Securities Dealers Automated Quotation ("NASDAQ") on April 8, 2015.

Prior March 1, 2020, the Company and its subsidiaries, variable interest entities ("VIEs") and VIEs' subsidiaries were primarily engaged in the sale of rice, flavor, bean oil, seafood, wine and some other types of generic food and beverage products through its website [www.ccjoin.com](http://www.ccjoin.com) though operating a business-to-business ("B2B") online e-commerce platform that provides integrated services to suppliers and consumers in the catering industry in the People's Republic of China ("PRC").

On May 21, 2019, the Company acquired Unicom Investment Limited ("Unicom") and its subsidiaries and a VIE ("the Acquisition of Unicom"). Pursuant to a share purchase agreement, the Company purchased all the issued and outstanding shares of Unicom from its shareholder for the consideration of 632,660,858 newly issued ordinary shares of the Company. On that date, Unicom, a developer of asset transaction platform products based on blockchain technologies, became a wholly owned subsidiary of the Company. On December 28, 2020, Unicom changed its name from Unicom Investment Limited to Mercury Limited.

On July 22, 2019, the Company sold all of its equity interests in New Admiral Limited, a subsidiary of the Company, together with all of its subsidiaries and consolidated VIEs and their respective subsidiaries (collectively, the "Food Supply Chain Entities"), which were engaged in the Company's food supply chain business. The sale was pursuant to a definitive agreement entered into between the Company and Marvel Billion Development Limited, company with limited liability incorporated under the laws of Hong Kong (the "Buyer"), in exchange for the Buyer's payment of \$1,000,000 and the assumption of \$4,521,053 of net liabilities of the Food Supply Chain Entities. This disposal represents a strategic shift and has a major effect on the Company's results of operations. Accordingly, assets and liabilities, Revenue and expenses, and cash flows related to the Food Supply Chain Entities have been reclassified in the accompanying consolidated financial statements as discontinued operations for all periods presented.

On March 1, 2020, the Company acquired NBpay Investment Limited ("NBpay") and its subsidiaries and a VIE ("the Acquisition of NBpay"). Pursuant to a share purchase agreement, the Company purchased all the issued and outstanding shares of Unicom from its shareholder for the consideration of 761,789,601 newly issued ordinary shares of the Company. On that date, NBpay, a developer of asset transaction platform products based on blockchain technologies, became a wholly owned subsidiary of the Company.

After the Acquisition of Unicom and the Acquisition of NBpay, blockchain technical services became the principal business of the Company, which to design and develop digital asset transaction platforms based on blockchain technologies for customers to facilitate asset trading, asset digitalization and cross-border payments and provide supplemental services for such platforms, such as customized software development services, maintenance services and compliance support services.

In August 2021, the board and the management of the Company changed and the future business plan was recalibrated. The Company added cryptocurrency mining as one of the main businesses going forward. The Company entered into cryptocurrency mining pools by executing a business contract with a collective mining service provider on October 22, 2021 to provide computing power to the mining pool and derived USD\$664,307 related revenue in 2021 and USD\$783,089 related revenue in the first half of 2022.

Due to the extremely adverse regulatory measures taken by the Chinese government in 2021 in the field of digital currency production and transaction, the Company's board of Directors decided on December 10, 2021 to divest the Chinese companies of the related business controlled through VIE agreements, and the divestiture was completed on January 15, 2022.

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

According to the Company's five-year business plan laid out in the second half of 2021, the Company had originally planned to start physical cryptocurrency mining operations in the United States on a large scale in March 2022, but due to the Recovery Proceeding and the Bitcoin market price crash, the Company has delayed the implementation of some of these projects.

In the first half of 2022, the Company completed a novel software for the quantitative trading of digital assets through independent research and development. The software will first be implemented internally to enhance the quantitative cryptocurrency investment business before it will be made available to the public.

In the second half of 2022, the board and the management of the Company changed and the future business plan was recalibrated again. The Company's business will include: 1) Distributed computing and storage services business, including cryptocurrency mining and distributed computing and storage services for more other application areas; 2) Digital consultation services, providing digital payment solutions, asset management, and a continued expansion into online and traditional brokerage services; 3) Blockchain technical services business, providing designing and developing digital asset transaction platforms, digital asset quantitative investment software and other innovative and derivative services based on blockchain technologies.

On July 15, 2022, the Company incorporated Mercury Fintech Technology Holding Inc. ("MFH Tech") in US, which plans to develop distributed computing and storage services and digital consultation services. On August 23, 2022, MFH Tech signed a Consulting Agreement with a Chinese media company, pursuant to which MFH Tech will serve as an independent contractor in order to facilitate the Client to conduct its initial public offering, and derived USD\$80,000 related revenue in 2022.

On December 15, 2022, the Company entered into an asset purchase agreement with Huangtong International Co., Ltd., providing for the acquisition and purchase of Web3 decentralized storage infrastructure, including cryptocurrency mining servers, cables, and other electronic devices, for an aggregate consideration of USD\$5,980,000, payable in the Company's ordinary shares. The investment is made with an aim to own mining machines capable of gathering, processing, and storing vast amounts of data, to advance the cryptocurrency mining business, and to further solidify the Company as a pioneer in the creation of the Web3 framework. The assessed value of the Web3 decentralized storage infrastructure is \$5,982,900. In addition, the Company also received 104646.5806 filecoins from Huangtong International Co., Ltd. for free. On December 20, 2022, the assets began to be used for Filecoin mining operations and the effective computing power is expected to reach 64 PiB.

As of December 31, 2022, the Company's subsidiaries are as follows:

	<b>Date of acquisition/ registration</b>	<b>Place of establishment/ incorporation</b>	<b>Percentage of legal ownership</b>
<b>Subsidiaries:</b>			
Mercury Fintech Technology Holding Inc.	July 15, 2022	US	100 %
Mercury Limited	May 21, 2019	British Virgin Islands	100 %
Ucon Capital (HK) Limited	May 21, 2019	Hong Kong	100 %
Beijing Lianji Future Technology Co., Ltd.	May 21, 2019	PRC	100 %
NBpay Investment Limited	March 2, 2020	British Virgin Islands	100 %
NBpay Fintech Pte Ltd.	March 2, 2020	Singapore	100 %
Golden Nation Ltd.	October 17, 2021	US	100 %

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)**

**The VIE termination**

On December 24, 2021, the board of the Company decided to dismantle the VIE structure and divest Beijing Lianji Technology Co., Ltd. and Mercury (Beijing) Technology Co., Ltd., which were controlled by the VIE agreement, due to the impact of the adverse policies issued by the Chinese government on the original business. Therefore, in the financial statements for the year ended December 31, 2021, Beijing Lianji Technology Co., Ltd. and Mercury (Beijing) Technology Co., Ltd. are listed as discontinued concerns.

On January 15, 2022, Beijing Lianji Future Technology Co., Ltd., Beijing Lianji Technology Co., Ltd. (VIE), signed a Termination Agreement Re Existing Control Documents with Wang Zhiyou and Zhou Jie, the 2b3np shareholders of Beijing Lianji Technology Co., Ltd.. According to the agreement, from the date hereof, each Party no longer retains any right under the Existing Control Documents and no longer needs to perform any obligation under the Existing Control Documents. However, the rights and obligations actually exercised by each Party based on any Existing Control Documents shall remain effective. Any income or other benefits of any nature funds obtained or actually received by any Party based on the Existing Control Documents need not be returned to the opposite Party, and the existing accounts receivable and payable between the Parties shall still be paid. Meanwhile, Beijing Lianji Future Technology Co., Ltd., Beijing Lianji Technology Co., Ltd., Ucon Capital (HK) Limited, Mercury Limited and Mercury Fintech Holding Inc. jointly signed an Agreement on Modification of Customer's Rights and Obligations. Beijing Lianji Technology Co., Ltd. transferred all of its receivables and other creditor's rights to Beijing Lianji Future Technology Co., Ltd., and all debts owned by Beijing Lianji Technology Co., Ltd. to Ucon Capital (HK) Limited, Mercury Limited and Mercury Fintech Holding Inc. were borne by Beijing Lianji Future Technology Co., Ltd..

On January 15, 2022, Beijing Lianji Future Technology Co., Ltd., Mercury (Beijing) Technology Co., Ltd. (VIE), signed a Termination Agreement Re Existing Control Documents with Wang Zhiyou, the shareholders of Beijing Lianji Technology Co., Ltd.. According to the agreement, from the date hereof, each Party no longer retains any right under the Existing Control Documents and no longer needs to perform any obligation under the Existing Control Documents. However, the rights and obligations actually exercised by each Party based on any Existing Control Documents shall remain effective. Any income or other benefits of any nature funds obtained or actually received by any Party based on the Existing Control Documents need not be returned to the opposite Party, and the existing accounts receivable and payable between the Parties shall still be paid. Meanwhile, Beijing Lianji Future Technology Co., Ltd., Mercury (Beijing) Technology Co., Ltd., Ucon Capital (HK) Limited, Mercury Limited and Mercury Fintech Holding Inc. jointly signed an Agreement on Modification of Customer's Rights and Obligations. Mercury (Beijing) Technology Co., Ltd. transferred all of its receivables and other creditor's rights to Beijing Lianji Future Technology Co., Ltd., and all debts owned by Mercury (Beijing) Technology Co., Ltd. to Ucon Capital (HK) Limited, Mercury Limited and Mercury Fintech Holding Inc. were borne by Beijing Lianji Future Technology Co., Ltd..



**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)**

**The VIE termination (continued)**

The financial results of Beijing Lianji Technology Co. and Mercury (Beijing) Technology Co., Ltd. are summarized set out below. The assets, liabilities, revenue and expenses have been reclassified as discontinued operations to retrospectively reflect the changes for the year ended December 31, 2021 and 2022.

	<b>As of December 31,</b>	
	<b>2022</b>	<b>2021</b>
<i>Carrying amounts of assets under disposal</i>		
Cash and cash equivalents	—	2,677
Prepaid expenses and other current assets, net	—	1,726
<b>Total current assets of discontinued operations</b>	<b>—</b>	<b>4,403</b>
<b>Total assets of discontinued operations</b>	<b>—</b>	<b>4,403</b>
<i>Carrying amounts of liabilities under disposal</i>		
Accrued expenses and other current liabilities	—	3,194
Amounts due to related parties	—	27,744
<b>Total current liabilities of discontinued operations</b>	<b>—</b>	<b>30,938</b>
<b>Total liabilities of discontinued operations</b>	<b>—</b>	<b>30,938</b>
	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Revenue	—	122,343
Cost of revenue	—	(41,668)
<b>Gross profit</b>	<b>—</b>	<b>80,675</b>
General and administrative	—	(334,880)
Impairment loss	—	(8,107,943)
<b>Operating loss from discontinued operations</b>	<b>—</b>	<b>(8,362,148)</b>
Interest expense, net	—	91
Other income/(expenses), net	—	1,735
<b>Net loss from discontinued operations</b>	<b>—</b>	<b>(8,360,322)</b>

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)**

**The VIE termination (continued)**

The Company confirmed January 15, 2022 as the disposal date of Beijing Lianji Technology Co., Ltd. and Mercury (Beijing) Technology Co., Ltd. ("the VIEs"). The assets and liabilities of the VIEs as of the disposal date and the loss from disposal of VIEs are as follows:

	For the year Ended January 15, 2022 (Disposal Date)		
	Beijing Lianji Technology Co., Ltd.	Mercury (Beijing) Technology Co., Ltd.	Total
Cash and cash equivalents	3,379	2,455	5,834
Due from the related party	95,239	313,475	408,714
Prepaid expense and other current assets, net	1,732	—	1,732
<b>Total current assets</b>	<b>100,350</b>	<b>315,930</b>	<b>416,280</b>
<b>Total assets</b>	<b>100,350</b>	<b>315,930</b>	<b>416,280</b>
Accrued expenses and other current liabilities	16,594	14,441	31,035
Due to the related party	315,050	96,814	411,864
<b>Total current liabilities</b>	<b>331,644</b>	<b>111,255</b>	<b>442,899</b>
<b>Total liabilities</b>	<b>331,644</b>	<b>111,255</b>	<b>442,899</b>
Net assets (i)	(231,294)	204,675	(26,619)
Disposal consideration (ii)	—	—	—
Other comprehensive income/loss (iii)	(64,319)	33,036	(31,283)
Loss from disposal of VIEs (iv, iv = ii – I + iii)	166,975	(171,639)	(4,664)

Assets and liabilities, Revenue and expenses, and cash flows related to the divested VIE entities had been reclassified in the accompanying consolidated financial statements as discontinued operations for the year ended December 31, 2020 and 2021. The financial statements of the Company for the year ended December 31, 2022 recognized the loss from disposal of VIEs as \$4,664.

**MERCURY FINTECH HOLDING INC.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

### Previous Financial Statements Changes from Impairment of Intangible Assets

Intangible assets with indefinite useful life are not amortized and are tested for impairment annually or more frequently, if events or changes in circumstances indicate that they might be impaired in accordance with ASC Subtopic 350-30, Intangibles-Goodwill and Other: General Intangibles Other than Goodwill ("ASC 350-30"). ASC 350-30-35-18 and ASC 350-30-35-19 call for that we should consider all circumstances that could lead to impairment of the intangible assets, take a more cautious method to test whether impairment of the intangible assets is likely to occur, and test more frequently.

The intangible assets of the Company are cryptocurrencies which are measured at cost. The cryptocurrencies received from cryptocurrency mining operations recognize the cost of intangible assets based on the market price at the time of acquisition.

Due to the price crash of Bitcoin in 2022, the Company, out of caution, decided to change the impairment test method of Bitcoin and other cryptocurrencies from testing once or twice a year by calculating the fair value based on the average daily closing price of the past 12 months to testing every day by calculating the fair value based on the intraday low price. Because the intraday low price of cryptocurrencies to be utilized in calculating impairment of our cryptocurrencies held as that metric is the most accurate indicator of whether it is more likely than not that the asset is impaired.

Updating of the Company's historical calculations of the cryptocurrencies impairment amounts resulted in correction of Impairment of Intangible assets. In accordance with Staff Accounting Bulletin ("SAB") 99, Materiality, and SAB 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, the Company evaluated the materiality of the changes from qualitative and quantitative perspectives, and concluded that the changes were material to the Consolidated Balance Sheet as of December 31, 2021 and Consolidated Statements of Operations, Equity, and Cash Flows for the year ended December 31, 2021. We restated the impacted financial statements as of December 31, 2021, and for the year ended December 31, 2021, and related notes included herein to correct these changes.

Reclassification of previously Issued consolidated statements of operations and cash flows

In the previously issued consolidated statements of operations for the year ended December 31, 2021, we did not clearly disclose the Provision for Doubtful Accounts, (Loss)/Income on disposal of intangible assets and Impairment loss of intangible assets, which were generally listed in Impairment Loss. In the previously issued consolidated statements of cash flows for the year ended December 31, 2020 and 2021, we listed the increase and decrease of our cryptocurrencies in cash flows from investing activities, but based on our current and future business structure, it should be listed in cash flows from operating. We decided to restate these items in the current consolidated statement.

The following tables present the effects of correcting these changes on the Company's financial statements as of December 31, 2021, and for the year ended December 31, 2021.

<i>Consolidated Balance Sheet</i>	<b>As of December 31, 2021</b>		
	As previously reported	Adjustment	As restated
Intangible assets	8,197,290	(919,573)	7,277,717
Total non-current assets	8,197,290	(919,573)	7,277,717
Total assets	9,939,194	(919,573)	9,019,621
Accumulated deficits	(660,765,745)	(919,573)	(661,685,318)
Total shareholders' equity	8,567,212	(919,573)	7,647,639
Total Liabilities and Shareholders' Equity	9,939,194	(919,573)	9,019,621

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (CONTINUED)**

<i>Consolidated Statements of Operations</i>	<b>For the year ended December 31, 2021</b>		
	As previously reported	Adjustment	As restated
Impairment loss (i)	(2,123,904)	2,123,904	—
Provision for doubtful accounts	—	(1,750,909)	(1,750,909)
Income from disposal of intangible assets	—	121,020	121,020
Impairment loss of intangible assets (i)	—	(1,292,568)	(1,292,568)
Total operating expenses	(12,475,261)	(798,553)	(13,273,814)
Operating loss	(12,507,769)	(798,553)	(13,306,322)
Other income/(expenses), net	120,877	(121,020)	(143)
Loss before provision for income taxes	(12,385,809)	(919,573)	(13,305,382)
Loss from continuing operations	(12,385,809)	(919,573)	(13,305,382)
Net loss	(20,746,131)	(919,573)	(21,665,704)

<i>Consolidated Statements of Stockholders' Equity</i>	<b>As of December 31, 2021</b>		
	Accumulated deficits	Total Mercury Fintech Holding Inc. shareholders' equity	Total shareholders' equity
Net loss (as previously reported)	(20,746,131)	(20,746,131)	(20,746,131)
Net loss (adjustment)	(919,573)	(919,573)	(919,573)
Net loss (as restated)	(21,665,704)	(21,665,704)	(21,665,704)
Balance as of December 31, 2021 (as previously reported)	(660,765,745)	8,567,212	8,567,212
Balance as of December 31, 2021 (adjustment)	(919,573)	(919,573)	(919,573)
Balance as of December 31, 2021 (as restated)	(661,685,318)	7,647,639	7,647,639

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (CONTINUED)**

<i>Consolidated Statements of Cash Flows</i>	<b>For the year ended December 31, 2021</b>		
	As previously reported	Adjustment	As restated
Net loss	(20,746,131)	(919,573)	(21,665,704)
Net loss from continuing operations	(12,385,809)	(919,573)	(13,305,382)
Adjustments to reconcile net loss to net cash used in operating activities:			
Impairment loss	2,123,904	(2,123,904)	—
Provision for doubtful accounts	—	1,750,909	1,750,909
Impairment loss of intangible assets	—	1,292,568	1,292,568
Digital assets generated from mining business	—	(664,307)	(664,307)
Digital assets received as payment	—	(5,864)	(5,864)
Digital assets used to pay expenses	—	2,141,375	2,141,375
Disposal of digital assets	—	325,987	325,987
Prepaid expenses and other current assets	(1,724,999)	619,518	(1,105,481)
Accrued expenses and other current liabilities	(241,143)	56,714	(184,429)
Net cash used in continuing operations	(3,618,695)	2,594,443	(1,024,252)
Net cash used in operating activities	(4,005,472)	2,594,443	(1,411,029)
Cash flows from investing activities:			
Digital assets received as payment	(5,864)	5,864	—
Digital assets used to pay expenses	2,174,319	(2,174,319)	—
Disposal of digital assets	425,988	(425,988)	—
Net cash (used in)/provided by continuing operations	2,594,443	(2,594,443)	—
Net cash (used in)/provided by investing activities	2,594,443	(2,594,443)	—
<i>Consolidated Statements of Cash Flows</i>	<b>For the year ended December 31, 2020</b>		
	As previously reported	Adjustment	As restated
Adjustments to reconcile net (loss)/income to net cash used in operating activities:			
Digital assets received as payment	—	(17,863)	(17,863)
Digital assets used to pay expenses	—	6,924	6,924
Disposal of digital assets	—	647	647
Cash flows from investing activities:			
Digital assets received as payment	(17,863)	17,863	—
Digital assets used to pay expenses	7,571	(7,571)	—
Disposal of digital assets	—	—	—
Net cash (used in)/provided by continuing operations	(10,292)	10,292	—
Net cash (used in)/provided by investing activities	(10,148)	10,292	144

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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**2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (CONTINUED)**

The remainder of these notes to the consolidated financial statements have been updated, as applicable, to reflect the impacts of the revisions described above.

**Calculation and Restatement of the loss per share in current and previously issued consolidated statements of operations based on the new number of the ordinary shares after the 2023 Share Consolidation**

On December 29, 2022, the Company's Board of Directors approved the proposal on the share consolidation to the authorized share capital (the "Share Consolidation") at a ratio of four hundred (400)-for-one (1) with the par value of each ordinary share changed to US\$0.004 per ordinary share, which will be effective on February 28, 2023.

According to ASC 260-10-55-12, if the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse stock split, the computations of basic and diluted EPS shall be adjusted retroactively for all periods presented to reflect that change in capital structure. If changes in common stock resulting from stock dividends, stock splits, or reverse stock splits occur after the close of the period but before the financial statements are issued or are available to be issued, the per-share computations for those and any prior period financial statements presented shall be based on the new number of shares. If per-share computations reflect such changes in the number of shares, that fact shall be disclosed.

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (CONTINUED)

Calculation and Restatement of the loss per share in current and previously issued consolidated statements of operations based on the new number of the ordinary shares after the 2023 Share Consolidation (continued)

<i>Consolidated Statements of Operation</i>	For the year ended December 31,		
	2022	2021	2020
<b>Net loss attributable to holders of ordinary shares of Mercury Fintech Holding Inc.</b>	<b>(5,634,971)</b>	<b>(21,665,704)</b>	<b>(1,651,273)</b>
Continuing operations	—	(13,305,382)	(693,318)
Discontinued operations	(5,634,971)	(8,360,322)	(957,955)
<b>Before the Share Consolidation:</b>			
Weighted average shares used in calculating basic net loss per ordinary share	5,774,269,431	3,888,373,404	2,675,881,652
Weighted average shares used in calculating diluted net loss per ordinary share	5,774,269,431	3,888,373,404	2,675,881,652
<b>Net Loss per ordinary share</b>			
Basic	(0.00)	(0.00)	(0.00)
Diluted	(0.00)	(0.00)	(0.00)
<b>Net Loss per ordinary share from continuing operation</b>			
Basic	(0.00)	(0.00)	(0.00)
Diluted	(0.00)	(0.00)	(0.00)
<b>Net Loss per ordinary share from discontinued operation</b>			
Basic	(0.00)	(0.00)	(0.00)
Diluted	(0.00)	(0.00)	(0.00)
<b>After the Share Consolidation:</b>			
Weighted average shares used in calculating basic net loss per ordinary share	14,435,674	9,720,934	6,689,704
Weighted average shares used in calculating diluted net loss per ordinary share	14,435,674	9,720,934	6,689,704
<b>Net Loss per ordinary share</b>			
Basic	(0.39)	(2.23)	(0.25)
Diluted	(0.39)	(2.23)	(0.25)
<b>Net Loss per ordinary share from continuing operation</b>			
Basic	(0.39)	(1.37)	(0.10)
Diluted	(0.39)	(1.37)	(0.10)
<b>Net Loss per ordinary share from discontinued operation</b>			
Basic	—	(0.86)	(0.14)
Diluted	—	(0.86)	(0.14)

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Going concern*

The Company had an accumulated deficit of approximately \$667 million as December 31, 2022 and had a net loss of approximately \$5.6 million for the year ended December 31, 2022. In connection with the Company's assessment of going concern considerations in accordance with Financial Accounting Standard Board's Accounting Standards Update ("ASU") 2014-15, "Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern", the Company has incurred recurring operating losses and negative cash flows from operating activities and has an accumulated deficit, management has determined that these conditions raise substantial doubt about the Company's ability to continue as a going concern.

Although the Company was still unable to achieve better operating results in 2022, with the restructuring of the board and management in the second half of 2022, the Company secured new financing and clarified new business plans. The Company's business will include: 1) Distributed computing and storage services business, including cryptocurrency mining and distributed computing and storage services for more other application areas; 2) Digital consultation services, providing digital payment solutions, asset management, and a continued expansion into online and traditional brokerage services; 3) Blockchain technical services business, providing designing and developing digital asset transaction platforms, digital asset quantitative investment software and other innovative and derivative services based on blockchain technologies. The Company received US\$3.15 million, US\$5 million and US\$5 million from three PIPEs in November 2022, December 2022 and January 2023 and then received US\$9 million from an unsecured convertible promissory note issued on February 2023.

In December 2022, the Company purchased a series of Web3 decentralized storage infrastructure, including cryptocurrency mining servers, cables, and other electronic devices, for an aggregate consideration of USD\$5,980,000, payable in our ordinary shares, and the assets began to be used for Filecoin mining operations and the effective computing power is expected to reach 64 PiB. In January 2023, the Company entered into an asset purchase agreement to purchase 5,000 Antminer S19 PRO Bitcoin mining machines, for an aggregate consideration of USD\$9,000,000. These machines will be delivered by July 10, 2023, and will be used for physical Bitcoin mining business. Despite the widespread cryptocurrency slump in 2022, based on the average price of Bitcoin and Filecoin in the first quarter of 2023, the Company is likely to see profits from Bitcoin and Filecoin physical mining in 2023. The Company are also expanding the digital advisory services team, and will step by step acquire asset management and brokerage licenses, and increase marketing efforts to gain more clients for consultation services business. What's more, the Company will establish a new technical services team in China for further technical services business.

Although the Company experienced significant changes in 2022, the management believes that the Company is about to embark on a period of sustained improvement. As a result, the consolidated financial statements have been prepared assuming the Company will continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and reclassification of assets and liabilities as that might be necessary if the Company is unable to continue as a going concern.



**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***Basis of presentation and use of estimates***

The accompanying consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP").

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, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of Revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in the Group's consolidated financial statements include, but are not limited to, allowance for credit losses, useful lives of property and equipment and intangible assets, impairment of long-lived assets, long-term investments and goodwill, the valuation of cryptocurrencies, realization of deferred tax assets, uncertain income tax positions, share-based compensation, valuation of contingent consideration from business combination and purchase price allocation for business combinations and assets acquisition. Actual results could materially differ from those estimates.

#### ***Principle of consolidation***

The consolidated financial statements of the Group include the financial statements of the Company, its subsidiaries and VIEs in which it has a controlling financial interest. The results of the subsidiaries and VIEs are consolidated from the date on which the Group obtained control and continue to be consolidated until the date that such control ceases. A controlling financial interest is typically determined when a company holds a majority of the voting equity interest in an entity. Furthermore, if the Company demonstrates that it has ability to control the VIEs through its rights to all the residual benefits of the VIEs and its obligation to fund losses of the VIEs then the entity is consolidated. All significant intercompany balances and transactions among the Company, its subsidiaries and VIEs have been eliminated on consolidation.

#### ***Reclassification***

Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net earnings and financial position.

#### ***Business combinations***

The Group accounts for its business combinations using the purchase method of accounting in accordance with ASC 805 ("ASC 805"), "Business Combinations". The purchase method of accounting requires that the consideration transferred to be allocated to the assets, including separately identifiable assets and liabilities the Group acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. Contingent consideration is recognized at its fair value on the acquisition date. A liability resulting from contingent consideration is remeasured to fair value as of each reporting date until the contingency is resolved, and subsequent changes in fair value are recognized in earnings. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total of cost of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over, (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

**MERCURY FINTECH HOLDING INC.**  
**FORMERLY KNOWN AS JMU LIMITED**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Business combinations (continued)*

If investment involves the acquisition of an asset or group of assets that does not meet the definition of a business, the transaction is accounted for as an asset acquisition. An asset acquisition is recorded at cost, which includes capitalized transaction costs, and does not result in the recognition of goodwill. The cost of the acquisition is allocated to the assets acquired on the basis of relative fair values.

#### *Discontinued operations*

A disposal of a component of an entity or a group of components of an entity shall be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statements of operations. The amount of total current assets, total non-current assets, total current liabilities and total noncurrent liabilities are presented separately on the consolidated balance sheets.

#### *Use of estimates*

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of Revenue and expenses during the period. Areas where management uses subjective judgment include, but are not limited to, provision for other receivables, estimating useful lives and impairment for intangible assets, impairment of goodwill, valuation allowance for deferred tax assets and share-based compensation. 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*

The functional and reporting currency of the Company is the United States dollar ("U.S. dollars", "US\$" or "\$"). The functional currency of the Company's subsidiary, Mercury Limited, is U.S. dollars. The functional currency of the Company's HK subsidiaries, Ucon, is the United States dollar ("U.S. dollars", "US\$" or "\$"). The functional currency of NBPAY Investment limited is the United States dollar ("U.S. dollars", "US\$" or "\$"). The functional currency of NBPAY Fintech Pte Ltd is the United States dollar ("U.S. dollars", "US\$" or "\$"). The financial records of the Group's subsidiary and VIE located in the PRC are maintained in their local currencies, the Renminbi ("RMB"), respectively, which are also the functional currencies of these entities.

Transactions denominated in currencies other than the respective entities' functional currencies are re-measured into the functional currencies, in accordance with Accounting Standards Codification ("ASC") 830 ("ASC 830") Foreign Currency Matters, at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-measured into the functional currencies at the exchange rates prevailing at the balance sheet date. All foreign exchange gains or losses are included in the consolidated statements of operations.

Assets and liabilities are translated to the reporting currency at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and Revenue, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of consolidated statements of comprehensive loss.

**MERCURY FINTECH HOLDING INC.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and demand deposits placed with banks or other financial institutions which are unrestricted as to withdrawal and use and have original maturities less than three months.

#### *Security Deposit*

Security deposit is money that is given to a landlord, lender, or seller of a home or apartment as proof of intent to move in and care for the domicile.

The security deposits of the Company on the balance sheet for the year ended December 31, 2022 are the frozen funds deposited in the Company's bank account in accordance with the office rental contract, including \$33,909 which can be lifted within one year and \$57,300 which can be lifted in the second and third years.

#### *Accounts receivable, net of allowance*

Since January 1, 2020, the company adopted the new Current Expected Credit loss rule ("CECL" standard) and recognizes its estimate of expected credit losses as an allowance to its account receivable.

The Company adopted this guidance effective January 1, 2020, with no material impact on its consolidated financial statements. The Company maintains the allowance for estimated losses resulting from the inability of the Company's customers to make required payments. The allowance represents the current estimate of lifetime expected credit losses over the remaining duration of existing accounts receivable considering current market conditions and supportable forecasts when appropriate. The estimate is a result of the Company's ongoing evaluation of collectability, customer creditworthiness, historical levels of credit losses, and future expectations. Changes in the allowance for credit losses are recognized in general and administrative expenses. Accounts receivable are written-off against the allowance for credit losses when management deems the accounts are no longer collectible.

Allowance for credit losses related to the Company's accounts receivable was \$1,147,131 as of December 31, 2021. Due to the changes of the company's management and business team in the second half of 2021, the Company failed to collect the blockchain technical services receivable \$1,092,208 from BGA FOUNDATION LTD and \$54,923 from Beijing Qichi Trading Ltd. in a timely manner. At the end of 2021, the Company made provision for doubtful accounts. Meanwhile, the company is also taking legal action to recover the money.

#### *Property and equipment, net*

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

<i>Category</i>	<i>Estimated Useful Life</i>	<i>Estimated Residual</i>
Machinery and equipment	6 years	10 %
Electronics and office equipment	5 years	5 %

**MERCURY FINTECH HOLDING INC.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Property and equipment, net (continued)*

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterment that extend the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive loss.

#### *Intangible Assets*

Intangible assets with indefinite useful life are not amortized and are tested for impairment annually or more frequently, if events or changes in circumstances indicate that they might be impaired in accordance with ASC Subtopic 350-30, Intangibles-Goodwill and Other: General Intangibles Other than Goodwill ("ASC 350-30").

The intangible assets of the Company are cryptocurrencies which are measured at cost. The cryptocurrencies received from cryptocurrency mining operations recognize the cost of intangible assets based on the market price at the time of acquisition.

Due to the price crash of Bitcoin in 2022, the Company, out of caution, decided to change the impairment test method of Bitcoin and other cryptocurrencies from testing once or twice a year by calculating the fair value based on the average daily closing price of the past 12 months to testing every day by calculating the fair value based on the intraday low price. ASC 350-30-35-18 and ASC 350-30-35-19 call for that we should consider all circumstances that could lead to impairment of the intangible assets, take a more cautious method to test whether impairment of the intangible assets is likely to occur, and test more frequently. The intraday low price of cryptocurrencies to be utilized in calculating impairment of our cryptocurrencies held as that metric is the most accurate indicator of whether it is more likely than not that the asset is impaired.

We restated the impacted financial statements as of December 31, 2021, and for the year ended December 31, 2021, and related notes included herein to correct these changes. We recognized \$1,292,568 impairment loss of intangible assets for the year ended December 31, 2021 and \$3,150,966 impairment loss of intangible assets for the year ended December 31, 2022 as the restated financial statements.

#### *Impairment of goodwill*

The Company annually, or more frequently if the Company believes indicators of impairment exist, reviews the carrying value of goodwill to determine whether impairment may exist.

Specifically, goodwill impairment is determined using a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being a discounted cash flow.

The Company has determined to perform the annual impairment tests on December 31 of each year. All of the \$8,107,014 goodwill as of December 31, 2020 was attributable to the acquisition of Mercury Limited and NBPAY business. Because the entire business team and core technology of Mercury Limited and NBPAY were affiliated with their China subsidiaries, the Company allocated all the goodwill to the China subsidiaries.

Due to the extremely adverse regulatory measures taken by the Chinese government in 2021 in the field of digital currency production and transaction, the Company's board of Directors decided on December 10, 2021 to divest the China subsidiaries of Mercury Limited and NBPAY controlled through VIE agreements, and the divestiture was completed on January 15, 2022.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Impairment of goodwill (continued)*

The Company considered that Mercury Limited and NBPAY would no longer be able to carry on their original businesses after the divestiture of their China subsidiaries, and the present value of Mercury Limited and NBPAY's reestimated future operating cash flows would be nil. So the Company recognised that all of the \$8,107,014 goodwill attributed to the acquisition of Mercury Limited and NBPAY had no value as of December 31, 2021.

As a result, the Company recognized the impairment loss of goodwill of \$8,107,014 for the year ended December 31, 2021, which is shown as loss from discontinued operations in the consolidated income statement.

#### *Revenue recognition*

The Company generates Revenue primarily from cryptocurrency mining and consultation services in the year ended December 31, 2022.

On January 1, 2019, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers ("ASC 606"), which supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition ("ASC 605"), using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606, while prior period amounts have not been adjusted and continue to be reported in accordance with historic accounting under ASC 605. The impact of adopting the new revenue standard was not material to consolidated financial statements and there was no adjustment to beginning retained earnings on January 1, 2019.

Under ASC 606, an entity recognizes revenue as the Company satisfies a performance obligation when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services it transfers to the customer.

Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations it must deliver and which of these performance obligations are distinct. The Company recognizes revenue based on the amount of the transaction price that is allocated to each performance obligation when that performance obligation is satisfied or as it is satisfied.

The Company's revenue recognition policies effective on the adoption date of ASC 606 are as follows:

#### *Cryptocurrency mining*

The Company has entered into cryptocurrency mining pools by executing contracts with the mining pool operators or executing contracts with the sharing mining service providers to provide computing power or storage capacity to the mining pool. The contracts are terminable at any time by either party and the Company's enforceable right to compensation only begins when the Company provides computing power or storage capacity to the mining pool operator. In exchange for providing computing power or storage capacity, the Company is entitled to a fractional share of the fixed digital assets awarded the mining pool operator receives, for successfully adding a block to the blockchain. The Company's fractional share is based on the proportion of computing power or storage capacity the Company contributed to the mining pool operator to the total computing power or storage capacity contributed by all mining pool participants in solving the current algorithm.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Revenue recognition (continued)*

##### *Cryptocurrency mining (continued)*

Providing computing power or storage capacity in digital asset transaction verification services is an output of the Company's ordinary activities. The provision of such computing power or storage capacity is the only performance obligation in the Company's contracts with mining pool operators or contracts with the sharing mining service providers. The transaction consideration the Company receives, if any, is noncash consideration, which the Company measures at fair value on the date received, which is not materially different than the fair value at contract inception or the time the Company has earned the award from the pools. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the mining pool operator successfully places a block (by being the first to solve an algorithm) and the Company receives confirmation of the consideration it will receive, at which time revenue is recognized. There is no significant financing component in these transactions.

Fair value of the digital assets award received is determined using the quoted price of the related digital assets at the time of receipt. There is currently no specific definitive guidance under US GAAP or alternative accounting framework for the accounting for digital assets recognized as revenue or held, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the FASB, the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

For the year ended December 31, 2022, the Company earned \$783,090 in Bitcoin mining revenue from shared mining operations and \$348 in Filecoin mining revenue from physical mining operations.

##### *Consultation services*

Considering that the contents of different projects of the Company's consultation service business varies greatly, we adopt the percentage-of-completion method to measure and recognize revenue for each consultation service project.

The percentage-of-completion method recognizes income as work on a contract (or group of closely related contracts) progresses. The recognition of Revenue and profits is generally related to costs incurred in providing the services required under the contract.

On August 23, 2022, the Company signed a Consulting Agreement with a Chinese media company, pursuant to which the Company will serve as an independent contractor in order to facilitate the Client to conduct its initial public offering. As of December 31, 2022, the project was approximately 50% on schedule and the Company recognized consultation service revenue of \$80,000 for the year ended December 31, 2022 in line with the completion schedule.

##### *Technical services*

For software development, the Company recognizes revenue over time as the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The Company generally recognizes revenue using an input method with revenue amounts being recognized proportionately as costs are incurred relative to the total expected costs to satisfy the performance obligation. The Company believes that costs incurred as a portion of total estimated costs is an appropriate measure of progress towards satisfaction of the performance obligation since this measure reasonably depicts the progress of the work effort.

Service other than those associated with the design, development, creation, testing, installation, configuration, integration and customization of fully operational software. It may be a service performance obligation, which is distinct from performance obligation for software development. Our services are provided to customers for a fixed amount over the contract service period and revenue is recognized on a straight-line basis over the term of the contract.

**MERCURY FINTECH HOLDING INC.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***Revenue recognition (continued)***

##### *Technical services (Continued)*

None revenue of blockchain technical services Revenue were generated in 2022.

#### **Cost of revenue**

##### *Cryptocurrency mining*

The cost of the Bitcoin shared mining operation includes the rental fee of the mining machine and the mine site, electricity and other possible operation and maintenance expenses. The cost of Bitcoin shared mining operations was recognized in 2021 in the amount of \$702,679, including \$563,955 for mining machines and mine leases and \$138,724 for electricity. The cost of Bitcoin shared mining operations was recognized in 2022 in the amount of \$1,291,784, including \$1,036,741 for mining machines and mine leases and \$255,043 for electricity.

The cost of the Filecoin physical mining operation includes mining machine depreciation costs, mine site lease costs (including electricity), direct labor costs and software licensing costs. The cost of Filecoin physical mining operations was recognized in 2022 in the amount of \$69,817, including mining machine depreciation costs of \$28,950, mine lease costs (including electricity) of \$22,075, direct labor costs of \$4,000, and software licensing costs of \$14,792.

##### *Consultation services*

The cost of consultation services consists primarily of payroll of the consultation project team.

#### ***Sales and marketing expenses***

Sales and marketing expenses consist primarily of project referral fees for consultation services business. These costs are expensed as incurred.

#### ***Operating leases***

The Company determines whether an arrangement contains a lease at the inception of the arrangement. If a lease is determined to exist, the term of such lease is assessed based on the date on which the underlying asset is made available for the Company's use by the lessor. The Company's assessment of the lease term reflects the non-cancelable term of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options which the Company is reasonably certain of not exercising, as well as periods covered by renewal options which the Company is reasonably certain of exercising. The Company also determines lease classification as either operating or finance at lease commencement, which governs the pattern of expense recognition and the presentation reflected in the consolidated statements of operations over the lease term.

For leases with a term exceeding 12 months, an operating lease liability is recorded on the Company's consolidated balance sheet at lease commencement reflecting the present value of its fixed minimum payment obligations over the lease term. A corresponding operating lease right-of-use asset equal to the initial lease liability is also recorded, adjusted for any prepaid rent and/or initial direct costs incurred in connection with execution of the lease and reduced by any lease incentives received. For purposes of measuring the present value of its fixed payment obligations for a given lease, the Company uses its incremental borrowing rate, determined based on information available at lease commencement, as rates implicit in its leasing arrangements are typically not readily determinable. The Company's incremental borrowing rate reflects the rate it would pay to borrow on a secured basis and incorporates the term and economic environment of the associated lease.

**MERCURY FINTECH HOLDING INC.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Operating leases (continued)*

For the Company's operating leases, fixed lease payments are recognized as lease expense on a straight-line basis over the lease term. For leases with a term of 12 months or less, any fixed lease payments are recognized on a straight-line basis over the lease term and are not recognized on the Company's consolidated balance sheet as an accounting policy election. Leases qualifying for the short-term lease exception were insignificant. Variable lease costs are recognized as incurred and primarily consist of common area maintenance and utility charges not included in the measurement of right of use assets and operating lease liabilities.

The leasing activities of the Company during 2022 are all for the Company to lease the office as the lessee and the Company classified them as operating leases, among which, the Company signed a long-term lease contract with a term of about 35 months for the New York office. The Company recognized right-of-use assets and lease liabilities on the consolidated balance sheet as of December 31, 2022.

#### *Income taxes*

The Company follows the liability method in accounting for income taxes in accordance to ASC topic 740 ("ASC 740"), Income Taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized.

The Company applies the provision of ASC 740 to account for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the consolidated financial statements.

The Company has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the consolidated statements of operations.

#### *Share-based payments*

Share-based payment awards with employees are measured based on the grant date fair value of the equity instrument issued, and recognized as compensation costs using the straight-line method over the requisite service period, which is generally the vesting period of the options, with a corresponding impact reflected in additional paid-in capital. For share-based payment awards with market conditions, such market conditions are included in the determination of the estimated grant-date fair value. In the second quarter of 2017, the Company elected to early adopt ASU No. 2016-09, Compensation Stock Compensation (Topic 718): Improvement to Employee Share based Payment Accounting, to account for forfeitures as they occur. The cumulative-effect adjustment to accumulated deficits was \$nil as a result of the adoption of ASU 2016-09.

A change in any of the terms or conditions of share-based payment awards is accounted for as a modification of awards. The Company measures the incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified, based on the share price and other pertinent factors at the modification date. For vested awards, the Company recognizes incremental compensation cost in the period the modification occurred. For unvested awards, the Company recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.



**MERCURY FINTECH HOLDING INC.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***Net loss per share***

Basic loss per ordinary share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per ordinary share reflects the potential dilution that could occur if securities were exercised or converted into ordinary shares. The Company had stock options and restricted share units, which could potentially dilute basic loss per share in the future. To calculate the number of shares for diluted loss per ordinary share, the effect of the stock options and restricted share units is computed using the treasury stock method. Potential ordinary shares in the diluted net loss per share computation are excluded in periods of losses from operations, as their effect would be anti-dilutive.

In accordance with ASC Topic 260, Earnings per Share ("ASC 260"), basic loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of unrestricted ordinary shares outstanding during the year. Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Contingently issuable shares, including performance-based share awards and contingent considerations to be settled in shares, are included in the computation of basic earnings per share only when there is no circumstance under which those shares would not be issued. Contingently issuable shares are included in the denominator of the diluted loss per share calculation as of the beginning of the period or as of the inception date of the contingent share arrangement, if later, only when dilutive and when all the necessary conditions have been satisfied as of the reporting period end.

For contracts that may be settled in ordinary shares or in cash at the election of the Company, share settlement is presumed, pursuant to which incremental shares relating to the number of shares that would be required to settle the contract are included in the denominator of diluted loss per share calculation if the effect is more dilutive. For the contracts that may be settled in ordinary shares or in cash at the election of the counterparty, the more dilutive option of cash or share settlement is used for the purposes of diluted loss per share calculation, pursuant to which share settlement requires the number of shares that would be required to settle the contract be included in the denominator whereas cash settlement requires an adjustment to be made to the numerator for any changes in income or loss that would result as if the contract had been classified as an asset or a liability for accounting purposes during the period for a contract that is classified as equity for accounting purposes, if the effect is more dilutive. Ordinary equivalent shares consist of the ordinary shares issuable upon the exercise of the share options, using the treasury stock method. Ordinary share equivalents are excluded from the computation of diluted loss per share if their effects would be anti-dilutive.

#### ***Comprehensive income (loss)***

Comprehensive income (loss) is defined as the decrease in equity of the Company during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Comprehensive gain (loss) is reported in the consolidated statements of comprehensive loss, including net loss and foreign currency translation adjustments, presented net of tax.

#### ***Segment reporting***

The Company follows ASC 280, Segment Reporting. The Company's Chief Executive Officer or chief operating decision-maker reviews the consolidated financial results when making decisions about allocating resources and assessing the performance of the Company as a whole and hence, the Company has only one reportable segment. The Company operates and manages its business as a single segment through the provision of design, development, creation, testing, installation, configuration, integration and customization of making fully operational software based on blockchain technologies and related services. The Company's Revenue are derived from British Virgin Islands and Asia Pacific regions, no geographical segments are presented.

**MERCURY FINTECH HOLDING INC.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***Fair value***

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1 - inputs are based upon quoted prices for instruments traded in active markets.

Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based calculation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, cash flow models, and similar techniques.

#### ***Fair value of financial instruments***

Financial instruments include cash and cash equivalents, amounts due from a related party and accounts receivable. The carrying values of cash, amounts due from a related party and accounts receivable approximate their fair values reported in the consolidated balance sheets due to the short-term maturities.

Financial assets and liabilities measured at fair value on a non-recurring basis include acquired assets and liabilities and goodwill based on Level 3 inputs in connection with business acquisitions.

#### ***Recent accounting pronouncements***

As a company with less than US\$1 billion in gross revenue for the last fiscal year, we qualify as an "emerging growth company" ("EGC") pursuant to the Jumpstart Our Business Startups Act of 2012 (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 a provision 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. We will take advantage of the extended transition period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Recent accounting pronouncements (continued)*

In February 2016, the FASB issued ASU2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing a right-of-use asset and a lease liability for all leases with terms longer than 12 months. Leases will be classified as either operating or financing. The definition of a lease has been revised when an arrangement conveys the right to control the use of the identified asset under the arrangement which may result in changes to the classification of an arrangement as a lease. The ASU expands the disclosure requirements of lease arrangements. The guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period, for public business entities. In September 2017, the FASB issued additional amendments providing clarification and implementation guidance. In January 2018, the FASB issued an update that permits an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity's adoption of the new standard and that were not previously accounted for as leases. The provisions of ASU 2016-02 are to be applied using a modified retrospective approach. In July 2018, the FASB issued an update, which provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, the prior comparative period's financials will remain the same as those previously presented. The new standard becomes effective for the Company for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The standard requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements. The Company as an EGC has elected to adopt the new lease standard as of the effective date applicable to non-issuers and will implement the new lease standard on January 1, 2021 using the modified retrospective method. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. In addition, the Company will elect the transition practical referred to as the "package of three", that must be taken together and allows entities to (1) not reassess whether existing contracts contain leases, (2) carryforward the existing lease classification, and (3) not reassess initial direct costs associated with existing leases. The Company is in the process of evaluating the impact on its consolidated financial statements, as well as the impact of adoption on policies, practices, systems and financial statement disclosures. As of December 31, 2021, the Company has US\$66,667 of future minimum operating lease commitments that are not currently recognized on its consolidated balance sheets (see note 15).

In January 2017, the FASB issued ASU 2017-04, ASC Topic 350 "Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment." The standard eliminates the requirement to measure the implied fair value of goodwill by assigning the fair value of a reporting unit to all assets and liabilities within that unit ("the Step 2 test") from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited by the amount of goodwill in that reporting unit. The standard will become effective for fiscal years beginning after December 15, 2022 and must be applied to any annual or interim goodwill impairment assessments after that date. Early adoption is permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement ("ASU 2018-13"). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The amendments in ASU 2018-13 will be effective for us beginning after January 1, 2020 including interim periods within the year. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU No. 2018-13 and delay adoption of the additional disclosures until their effective date. We do not expect the amendments of this guidance to have a material impact on our consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Recent accounting pronouncements (continued)*

In October 2018, the FASB issued ASU No. 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities: The amendments in this ASU are effective for public business entities with fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments are also effective for private entities with fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. All entities are required to apply the amendments in this ASU retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The Company is in the process of evaluating the impact on its consolidated financial statements upon adoption.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, as part of its Simplification Initiative to reduce the cost and complexity in accounting for income taxes. ASU 2019-12 removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. The guidance is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. We early adopted ASU 2019-12 in the fourth quarter of 2020. The impact of adoption of this standard on our consolidated financial statements, including accounting policies, processes, and systems, was not material.

In January 2020, the FASB issued ASU 2020-01, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815), which clarifies the interaction between the accounting for equity securities under Topic 321, the accounting for equity method investments in Topic 323, and the accounting for certain forward contracts and purchased options in Topic 815. The guidance is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. Effective January 1, 2021, we adopted this standard on a prospective basis. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements, including accounting policies, processes, and systems.

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. Under ASU 2020-06, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, or that do not result in substantial premiums accounted for as paid-in capital. Consequently, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost, as long as no other features require bifurcation and recognition as derivatives. The new guidance also requires the if-converted method to be applied for all convertible instruments. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Adoption of the standard requires using either a modified retrospective or a full retrospective approach. Effective January 1, 2021, we early adopted ASU 2020-06 using the modified retrospective approach. The impact of adoption of this standard on our consolidated financial statements, including accounting policies, process, and systems, was nil.

**MERCURY FINTECH HOLDING INC.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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#### **4. CONCENTRATION OF RISK**

##### ***Credit risk***

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company places its cash and cash equivalents with financial institutions with high-credit ratings and quality.

##### ***Vulnerability due to change of regulations or policies***

The blockchain and cryptocurrency mining business could be significantly affected by, among other things, the regulatory and policy developments in international markets where the Company operates. Governmental authorities are likely to continue to issue new laws, rules and regulations governing the blockchain and cryptocurrency industry in and enhance enforcement of existing laws, rules and regulations.

On January 15, 2022, the Company completed to dismantle the VIE structure and divest Beijing Lianji Technology Co. and Mercury (Beijing) Technology Co., Ltd., which were controlled by the VIE agreement, due to the impact of the adverse policies issued by the Chinese government on the original business. As of December 31, 2022, the Company's main business related to cryptocurrencies has moved to the United States.

##### ***Currency convertibility risk***

From time to time, the Company's businesses may be transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other regulatory institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts. After the strategic shift mentioned above, the Company's business is mainly transacted in U.S. dollar resulting minor exposure to currency convertibility risk.

##### ***Foreign currency exchange rate risk***

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For RMB against U.S. dollar, there was depreciation of approximately 2.3% and 7.6% in the years ended December 31, 2021 and 2022 respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that the Company needs to convert U.S. dollar into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against U.S. dollar would have an adverse effect on the RMB amount the Company would receive from the conversion. Conversely, if the Company decides to convert RMB into U.S. dollar for the purpose of making payments for dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to the Company. In addition, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of the Company's earnings or losses.

As the company does not mainly carry out business related to blockchain technical services in China in 2022, the impact of foreign currency exchange is not obvious.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. SECURITY DEPOSIT

Security Deposit consist of the following:

	December 31, 2022 US\$	December 31, 2021 US\$
Security Deposit which can be lifted within one year	33,909	—
Security Deposit which can be lifted in the second and third years	57,300	—
<b>Total</b>	<b>91,209</b>	<b>—</b>

The security deposits of the Company on the balance sheet for the year ended December 31, 2022 are the frozen funds deposited in the Company's bank account in accordance with the office rental contract, including \$33,909 which can be lifted within one year and \$57,300 which can be lifted in the second and third years.

## 6. ACCOUNTS RECEIVABLE, NET

Accounts receivable and allowance for doubtful accounts consist of the following:

	December 31, 2022 US\$	December 31, 2021 US\$
Accounts receivable	1,147,131	1,147,131
Less: allowance for doubtful accounts (i)	1,147,131	1,147,131
<b>Accounts receivable, net</b>	<b>—</b>	<b>—</b>

- (i) Due to the changes of the company's management and business team in the second half of 2021, the Company failed to collect the blockchain technical services receivable \$1,092,208 from BGA FOUNDATION LTD and \$54,923 from Beijing Qichi Trading Ltd. in a timely manner. At the end of 2021, the Company made provision for doubtful accounts.

## 7. PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET

Prepaid expenses and other current assets consist of the following:

	December 31, 2022 US\$	December 31, 2021 US\$
Other receivables, net of allowance for doubtful accounts of \$nil, \$nil and \$nil at December 31, 2020, 2021 and 2022	10,925	—
Prepaid professional service expenses	—	3,578
Prepaid for rental fees of Bitcoin shared mining machine, mine site and electricity	—	1,291,784
<b>Total prepaid expenses and other current assets</b>	<b>10,925</b>	<b>1,295,362</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

	December 31, 2022	December 31, 2021
	US\$	US\$
Machinery and equipment (i)	5,982,900	—
Electronics and office equipment	7,222	—
<b>Total property and equipment</b>	<b>5,990,122</b>	<b>—</b>
Less: Accumulated depreciation	28,949	—
Less: Provision for impairment	—	—
<b>Property and equipment, net</b>	<b>5,961,173</b>	<b>—</b>

- (i) On December 15, 2022, the Company entered into an asset purchase agreement with Huangtong International Co., Ltd., providing for the acquisition and purchase of Web3 decentralized storage infrastructure, including cryptocurrency mining servers, cables, and other electronic devices, for an aggregate consideration of \$5,980,000, payable in the Company's ordinary shares. According to the Valuation Report for the Market Value for the Cryptocurrency Mining Servers issued by International United Consulting & Appraisal Limited on November 10, 2022, the market value of these assets is \$5,980,000.

## 9. INTANGIBLE ASSETS, NET

Intangible assets, net consist of the following:

	December 31, 2022	December 31, 2021
	US\$	US\$
Bitcoin (i)	5,972,282	5,189,195
USD Coin (ii)	2,003,332	3,002,231
Filecoin (iii)	315,376	—
Others	—	5,864
<b>Total Cryptocurrencies</b>	<b>8,290,990</b>	<b>8,197,290</b>
Less: Accumulated impairment	(4,057,762)	(919,573)
<b>Intangible assets, Net</b>	<b>4,233,228</b>	<b>7,277,717</b>

- (i) As of December 31, 2022, the original book value of 125.8584797 Bitcoins belonging to the company is \$5,972,282, of which 95.23843406 Bitcoins came from the PIPE closed on September 8, 2021 and 30.62004567 Bitcoins came from the Bitcoins shared mining business. We estimated the fair values of the Bitcoins based on the intraday low price of Bitcoin every day and respectively recognized \$908,453 and \$3,111,232 impairment loss for the year ended December 31, 2021 and 2022.
- (ii) As of December 31, 2022, the Company held 2,005,537.50 USD coins with the book value of \$2,003,332. We estimated the fair values of the USD Coins based on the intraday low price of USD Coin every day and respectively recognized \$11,120 and \$nil impairment loss for the year ended December 31, 2021 and 2022.
- (iii) As of December 31, 2022, the Company held 104762.0706 Filecoins with the book value of \$315,376, of which 104646.5806 Filecoins came from the asset purchase agreement with Huangtong International Co., Ltd. closed on December 15, 2022 and 115.49 Filecoins came from the Filecoin physical mining business. We estimated the fair values of the Filecoins based on the intraday low price of Filecoin every day, and recognized \$26,957 impairment loss for the year ended December 31, 2022.

**MERCURY FINTECH HOLDING INC.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**9. INTANGIBLE ASSETS, NET (CONTINUED)**

The movement of intangible assets for the year ended December 31, 2020, 2021 and 2022 is as follows:

	December 31, 2022	December 31, 2021
	US\$	US\$
Balance as of January 1, 2021 and 2022	7,277,717	383,289
Addition: received Cryptocurrencies payments (i)	315,028	10,000,363
Purchase	—	—
Mining out (ii)	783,438	664,307
Deduction: Payment made by Cryptocurrencies (iii)	—	(2,141,375)
Deduction: disposal of Cryptocurrencies (iii)	(998,902)	(336,299)
Impairment (iv)	(3,144,053)	(1,292,568)
Balance as of December 31, 2021 and 2022	4,233,228	7,277,717

- (i) The Company received 104646.5806 Filecoins with the book value of \$315,028 from Huangtong International Co., Ltd., as a part of the asset purchase agreement closed on December 15, 2022.
- (ii) During the year ended 2022, the Company mined out 18.86491222 Bitcoin from the Bitcoin shared mining business, the fair market at the date the Bitcoins were mined out was \$783,090, and mined out 115.49 Filecoins from the Filecoin physical mining business, the fair market at the date the Filecoins were mined out was \$348.
- (iii) During the year ended 2022, the Company sold 1,000,000 USD coins with the book value of \$998,902 and get \$968,934 into the Company's bank account.
- (iv) We estimated the fair values of the cryptocurrencies based on the intraday low price every day and recognized \$3,144,053 impairment loss for the year ended December 31, 2022, including \$3,111,232 impairment loss of Bitcoins and \$5,864 impairment loss of other cryptocurrencies. We wrote off the original value of the \$5,864 cryptocurrencies and the \$5,864 impairment in 2022 due to the platform where the wallet of the \$5,864 cryptocurrencies was stored had gone out of business, we had been no longer able to withdraw the cryptocurrencies as of December 31, 2022. We estimated the fair values of the cryptocurrencies based on the intraday low price every day and recognized \$1,292,568 impairment loss for the year ended December 31, 2021, including \$908,453 impairment loss of Bitcoins, \$11,120 impairment loss of USD Coins and \$372,995 impairment loss of FFcoins and other cryptocurrencies. We wrote off the original value of the \$1,208,339 FFcoins and other cryptocurrencies and the \$1,208,339 impairment in 2021 due to the FFcoin platform had gone out of business, these FFcoins and other cryptocurrencies no longer had any market value as of December 31, 2021.

Due to the price crash of Bitcoin in 2022, the Company, out of caution, decided to change the impairment test method of Bitcoin and other cryptocurrencies from testing once or twice a year by calculating the fair value based on the average daily closing price of the past 12 months to testing every day by calculating the fair value based on the intraday low price. We restated the impacted financial statements as of December 31, 2021, and for the year ended December 31, 2021, and related notes included herein to correct these changes. We recognized \$1,292,568 impairment loss of intangible assets for the year ended December 31, 2021 and \$3,150,966 impairment loss of intangible assets for the year ended December 31, 2022 as the restated financial statements.

The book value of the totally 125.8584797 Bitcoins after the impairment on December 31, 2022 was \$1,952,597, estimated with the lowest price in 2022 of \$15,514.23 per Bitcoin. While as of March 31, 2023, the average daily closing price of Bitcoin in the past 3 months was \$22,712.12 per Bitcoin, and the value of our Bitcoins calculated using the price of \$22,712.12 per Bitcoin will be \$2,858,513, so our consolidated financial statements for the year ended December 31, 2022 may understate the value of our Bitcoins.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 9. INTANGIBLE ASSETS, NET (CONTINUED)

In late February 2022, it came to the Company's attention that the Company could not reach the Company's former acting Chief Financial Officer, who was also the Company's former Co-Chief Executive Officer, and a former member and Co-Chairperson of the Board. Around that time, the Company realized that it temporarily lost control of all cryptocurrencies attributed to the Company. A few days later the Company was informed that the former acting Chief Financial Officer had been taken away for personal reasons to cooperate with the investigation from Sheyang County Public Security Bureau, Yancheng City, Jiangsu Province, People's Republic of China, leading to the Company's hardware cold wallet and all cryptocurrencies held by the former Co-Chief Financial Officer being wrongfully seized and impounded by the Public Security Bureau.

The book value on December 31, 2022 of the Bitcoins and USD Coins stored in the out-of-control wallets was \$3,944,808, and the Company verified that Bitcoins and USD Coins with a book value as of December 31, 2022 of \$3,469,762 stored in the out-of-control wallet had been transferred to other unknown wallets.

The misplaced cryptocurrencies as follows:

<b>Cryptocurrencies</b>	<b>Quantities</b>	<b>Book value as of December 31, 2022</b>
Bitcoins	125,858,4797	\$ 1,952,597
USD Coins	2,005,537.50	\$ 1,992,211

PRC law firm Deheng Law Office ("Deheng") has been representing the Company in our efforts to recover the wrongfully seized cold wallet and cryptocurrencies from the Public Security Bureau. On November 21, 2022, Deheng submitted the complaint and evidentiary materials to the Public Security Bureau according to the Criminal Procedure Law and the Provisions on Procedures of Handling Criminal Cases by Public Security Organs (the "PRC Criminal Law"). As of December 31, 2022, the Company and Deheng had not received any definitive response from the Public Security Bureau. The Company together with its PRC counsel will continue to vigorously pursue the Recovery Proceeding, attempting to regain its cold wallet and cryptocurrencies contained therein, which the Company believes were wrongfully seized and impounded by the Public Security Bureau.

As the Recovery Proceeding has not yet concluded, the Company's financial statements for the year ended December 31, 2022 do not recognize any related losses on the digital assets currently being held temporarily by the Public Security Bureau.

## 10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
	<b>US\$</b>	<b>US\$</b>
Accrued payroll and welfare	62,311	56,989
Accounts payable	22,075	—
Advance from customers	80,000	—
Payables for professional fees	69,552	157,643
Income taxes payable	2,294	—
Other taxes payable	258	3,635
Other	—	170
<b>Total accrued expenses and other current liabilities</b>	<b>\$ 236,490</b>	<b>\$ 218,437</b>

**MERCURY FINTECH HOLDING INC.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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## 11. INCOME TAXES

### *Cayman*

Under the current laws of the Cayman Islands, the Company is not subject to tax on its income or capital gains.

### *Hong Kong*

Under the Hong Kong tax laws, the Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax rate at 16.5%. No provision for Hong Kong profits tax was made for each of the three years ended December 31, 2022 on the basis that the Company's Hong Kong subsidiaries did not have any assessable profits arising in or derived from Hong Kong for those years.

### *Singapore*

On March 2, 2020, the Company acquired NBpay's subsidiary NBpay Fintech Pte Ltd. Under the Singapore tax laws, the Company's subsidiary in Singapore is subject to Singapore profits tax rate at 17%. No provision for Singapore profits tax was made for the year ended December 31, 2022 on the basis that the taxable income of the Company's Singapore subsidiary was less than the exempted amount.

### *People's Republic of China*

The enterprise income tax ("EIT") law applies a uniform 25% EIT rate to both foreign invested enterprises and domestic enterprises. The EIT rate for the Company's entities operating in the PRC is 25%.

### *United States*

On July 15, 2022, the Company incorporated Mercury Fintech Technology Holding Inc. in New York, which plans to develop digital consultation services. In accordance with the New York State Corporate Income Tax Law, the New York State corporate income tax rate applicable to the company in the year ended December 31, 2022 is 6.5%, and \$570 income taxes was credited to the Company. In accordance with the Federal Corporate Income Tax Law, the Federal corporate income tax rate applicable to the company in the year ended December 31, 2022 is 21%, and \$1,723 income taxes was credited to the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

# 11. INCOME TAXES (CONTINUED)

For the year ended December 31, 2022, loss or income before income taxes from continuing operations consists of:

	For the year ended December 31, 2022	For the year ended December 31, 2021
	US\$	US\$
Cayman Islands	(7,992,466)	(17,246,659)
US	8,776	—
Hong Kong	(1,317,169)	(202,316)
PRC	(177,053)	(1,341,425)
Singapore	—	(9,187)

The current and deferred components of the income tax expense from continuing operations in the consolidated statements of comprehensive loss are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
	US\$	US\$
Current tax benefit (expense)	(2,293)	—
Deferred tax benefit (expense)	251,004	—
<b>Income tax benefit (expense)</b>	<b>248,711</b>	<b>—</b>

The reconciliation of tax computed by applying the statutory income tax rate of 21% applicable to the US operation, 16.5% applicable to the Hong Kong operation, 25% applicable to the PRC operation and 17% applicable to the Singapore operation to income tax benefit from continuing operations is as follows:

	December 31, 2022				
	US\$ US	US\$ Hong Kong	US\$ PRC	US\$ Singapore	US\$ Consolidated
<b>Income/(Loss) before income taxes</b>	<b>8,776</b>	<b>(1,317,169)</b>	<b>(177,053)</b>	<b>-</b>	<b>(1,485,445)</b>
Income tax computed at applicable tax rates	1,843	(217,333)	(44,263)	-	(259,753)
Effect of different tax rates in different jurisdictions	451	-	-	-	451
Non-deductible expenses	-	133,398	785	-	134,183
Current losses unrecognized deferred income tax	-	-	43,478	-	43,478
Prior losses recognized deferred income tax in current period	-	(6,632)	-	-	(6,632)
Change in valuation allowance in current period	—	(133,399)	—	—	(133,399)
Change in valuation allowance in prior period	—	(27,039)	—	—	(27,039)
<b>Income tax expenses/(benefits)</b>	<b>2,294</b>	<b>(251,005)</b>	<b>—</b>	<b>—</b>	<b>(248,711)</b>

## Deferred tax assets

The significant components of the Company's deferred tax assets were as follows:

	December 31, 2022 US\$
<b>Deferred tax assets</b>	
Net operating loss carry forwards	90,567
Valuation allowance	160,438
<b>Total deferred tax assets</b>	<b>251,005</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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## **11. INCOME TAXES (CONTINUED)**

### ***Deferred tax assets (continued)***

The Company considers the following factors, among other matters, when determining whether some portion or all of the deferred tax assets will more likely than not be realized: the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carry forward years, the Company's experience with tax attributes expiring unused and tax planning alternatives. The Company's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carry forward years provided for in the tax law.

The Company will take Mercury Limited and its Hong Kong and China subsidiaries as the operating entities of technical services business and digital consultation services business in the Asia-Pacific region. Ucon Capital (HK) Limited, the Hong Kong subsidiary of the Company, will be one of the important business subjects and generate profits in the future, and Hong Kong tax law does not stipulate the period for carrying forward uncovered losses, so the Company's financial statements recognized deferred income tax assets for the uncovered losses from Ucon Capital (HK) Limited in the year ended December 31, 2022.

The Company has disposed of all the businesses of the VIE entities in China. It is uncertain whether the sole Chinese subsidiary as of December 31, 2022, Beijing Lianji Future Technology Co., Ltd., will be able to generate enough profit in the next five years to cover the accumulated uncovered losses, which can only be covered in the next five years under Chinese tax law, so the Company's financial statements did not recognize deferred income tax assets for the uncovered losses from Beijing Lianji Future Technology Co., Ltd. in the year ended December 31, 2022.

### ***Unrecognized Tax Benefits***

There were no aggregate undistributed earnings of the Company's subsidiary located in the PRC available for dividend distribution. Therefore, no deferred tax liability has been accrued for the Chinese dividend withholding taxes that might be payable upon the distribution of aggregate undistributed earnings as of December 31, 2022.

The impact of an uncertain tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Company has concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements for the year ended December 31, 2020, 2021 and 2022. The Company did not incur any interest and penalties related to potential underpaid income tax expenses and also does not anticipate any significant increases or decreases in unrecognized tax benefits within 12 months from December 31, 2022. The Company has no material unrecognized tax benefits which would favorably affect the effective income tax rate in future years.

Since the incorporation, the relevant tax authorities of the Company's subsidiary and located in the PRC have not conducted a tax examination. In accordance with relevant PRC tax administration laws, tax years from 2016 to 2022 of the Company's PRC subsidiary, remain subject to tax audits as of December 31, 2022, at the tax authority's discretion.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 12. LEASES

As of December 31, 2022, the Company had operating leases for its New York and Shenzhen offices. The remaining lease terms ranges from 0.83 to 2.75 years. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of December 31, 2021, the weighted average remaining lease term was 1.8 years and the weighted average discount rate was 5%.

The following table presents the operating lease related assets and liabilities recorded on the Group's consolidated balance sheet.

	As of December 31,	
	2022	2021
	US\$	US\$
Right-of-use assets	873,878	—
Impairment of right-of-use assets	—	—
<b>Right-of-use assets, net</b>	<b>873,878</b>	<b>—</b>
Operating lease liabilities - current	269,675	—
Operating lease liabilities – non-current	634,457	—
<b>Total operating lease liabilities</b>	<b>904,132</b>	<b>—</b>

The following table presents the components of the Company's office lease expense in 2022, which are included in general administrative on the consolidated statements of operations:

	For the year ended December 31,	
	2022	
	US\$	
Operating lease cost		60,578
Variable lease cost		—
<b>Operating lease expense</b>		<b>60,578</b>
Short-term lease rent expense		31,301
<b>Total lease expense</b>		<b>91,879</b>

The following table summarizes the maturity of operating lease liabilities as of December 31, 2022:

	US\$
2023	309,945
2024	375,940
2025	288,594
<b>Total</b>	<b>974,479</b>
Less: imputed interest	(70,347)
<b>Present value of lease liabilities</b>	<b>904,132</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 13. SHAREHOLDERS' EQUITY

On April 8, 2015, the Company completed its IPO on NASDAQ by offering 4,000,000 ADSs, representing 72 million ordinary shares at price of \$10 per ADS. On April 27, 2015, the Company issued an additional 220,000 ADSs, representing 3.96 million ordinary shares to the underwriter for exercising the overallocation option at price of \$10 per ADS. The total proceeds from issuance of ordinary shares upon IPO are \$37,294,600, after deducting the IPO related cost of \$3,000,000.

Upon the completion of the IPO, all of the Company's then outstanding Series A-1, Series A-2 and Series B preferred shares were automatically converted into 12,202,988, 122,029,877 and 30,507,471 ordinary shares respectively, and immediately after the completion of the IPO, the indebtedness owed to Mr. Maodong Xu ("Mr. Xu"), one of the Company's shareholders, amounting to \$69.4 million was converted into 124,835,802 ordinary shares.

On June 8, 2015, the Company issued 741,422,780 ordinary shares to the Company's original shareholders for the acquisition of the Company. In addition, the Company initially agreed to issue 72,000,000 ordinary shares of the Company to Mr. Xu at a purchase price of \$0.5556 per share, for a total purchase price of \$40,000,000. On September 7, 2015, the Company and Mr. Xu reduced the number of shares to be purchased through a supplemental agreement resulting in a final subscription amount of \$15,000,000 for 27,000,000 shares. On the same date, the Company issued an additional 27,000,000 ordinary shares to Mr. Xu in relation to his additional subscription.

On September 27, 2015, the Company issued and transferred 38,363,112 ordinary shares to its depositary bank representing 2,131,284 ADSs, to be issued to employees and former employees upon the exercise of their vested share options and the registration of their vested RSUs.

On July 31, 2018, the Company decided to change the ADS-to-Share ratio from the ratio of one (1) ADS to eighteen (18) Shares to a new ratio of one (1) ADS to one hundred eighty (180) Shares.

On May 21, 2019, the Company issued 632,660,858 ordinary shares to Unicom's original shareholders for the acquisition of Unicom.

On May 3, 2020, the Company issued 761,789,601 ordinary shares to NBpay's original shareholders for the acquisition of NBpay.

On May 20, 2020, the Company issued 90,000,000 ordinary shares to an investor through private placement for US\$300,000.

On August 13, 2020, the Company issued and transferred 36,000,000 ordinary shares to its depositary bank representing 1,000,000 ADSs, to be issued to employees and former employees upon the exercise of their vested share options and the registration of their vested RSUs.

On January 27, 2021 and March 3, 2021, the Company totally issued 210,000,000 ordinary shares to an investor for the private investment in public equity of US\$700,000.

On March 1, 2021, the Company issued and transferred 394,200,000 ordinary shares to its depositary bank representing 1,095,000 ADSs, to be issued to employees and former employees upon the exercise of their vested share options and the registration of their vested RSUs.

On September 8, 2021, the Company issued 571,428,570 ordinary shares to three investors for the private investment in public equity of 105.2385 Bitcoins with a market value of US\$5 million.

On September 27, 2021, the Company issued and transferred 399,999,960 ordinary shares to its depositary bank representing 1,111,111 ADSs, to be issued to employees and former employees upon the exercise of their vested share options and the registration of their vested RSUs.

On October 19, 2021, the Company issued 571,428,570 ordinary shares to three investors for the private investment in public equity of 5,000,000 USD Coins with a market value of approximately US\$5 million.

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### **13. SHAREHOLDERS' EQUITY (CONTINUED)**

On November 21, 2022, the Company issued 2,423,076,922 ordinary shares to three investors for the private investment in public equity (the "PIPE") of US\$3.15 million, and issued 108,000,000 ordinary shares to pay the financing service fee of the PIPE.

On December 20, 2022, the Company issued 3,676,470,589 ordinary shares to two investors for the private investment in public equity (the "PIPE") of US\$5 million.

On December 15, 2022, the Company entered into an asset purchase agreement with Huangtong International Co., Ltd., providing for the acquisition and purchase of Web3 decentralized storage infrastructure, including cryptocurrency mining servers, cables, and other electronic devices, for an aggregate consideration of USD\$5,980,000, payable in the Company's 2,718,181,818 ordinary shares. The Company issued the 2,718,181,818 ordinary shares on December 23, 2022.

On December 23, 2022, the Company entered into a Securities Purchase Agreement in connection with a private investment in public equity (the "PIPE") financing with an accredited non-U.S. investor to offer and sell the Company's units, each consisting of one ordinary share and three warrants for total gross proceeds of USD\$5 million. As of December 31, 2022, the Company had not yet issued the corresponding 4,545,454,546 ordinary shares to the investor. Therefore, the Ordinary Shares in the financial statements for the year ended December 31, 2022 does not include such unissued ordinary shares. The Company issued the 4,545,454,546 ordinary shares to the investor upon receiving the \$5 million from the investor on January 10, 2023.

As of December 31, 2020, 2021 and 2022, 55,983,312, 775,117,466 and 868,563,072 ordinary shares, respectively, out of these 868,563,072 ordinary shares had been issued to employees and former-employees upon the exercise of share options and the registration of vested RSUs. Therefore, as of December 31, 2020, 2021 and 2022, 18,379,800, nil and nil common shares, respectively, remained for future issuance.

On December 29, 2022, the Company's Board of Directors approved to proceed with: 1) the share consolidation and simultaneous change of the ADR ratio; 2) the transfer of the register of members of the Company; and 3) the termination of the deposit agreement. The Board approved the proposal on the share consolidation to the authorized share capital (the "Share Consolidation") at a ratio of four hundred (400)-for-one (1) with the par value of each ordinary share changed to US\$0.004 per ordinary share. Further, as approved by the Board, the Company will effect a simultaneous change of the American Depositary Receipts ("ADRs") to ordinary share ratio from 1-to-360 to 1-to-1 (the "ADR Ratio Change"). The Board approved to terminate the Deposit Agreement, as amended (the "Deposit Agreement") effective on February 28, 2023, by and among the Company, Citibank, N.A., and the holders and beneficial owners of American Depositary Shares outstanding under the terms of the Deposit Agreement dated as of April 13, 2015 and as amended.

### **14. SHARE BASED COMPENSATION**

#### ***2011 Share Incentive Plan***

On February 1, 2011, the Board of Directors approved the Company 2011 Share Incentive Plan ("2011 Plan"). The 2011 Plan provides for the grant of options, restricted shares, and other share-based awards.

The Company recognized compensation cost on the share options and restricted shares to employees under 2011 Plan on a straight-line basis over the requisite service period. The options granted during 2012 and 2013 vest ratably over 48 months and the options granted during 2014 vest on the first anniversary of the date of grant.

On July 27, 2015, the Board of Directors approved to grant 28,841,700 Restricted Share Units ("RSUs") awards pursuant to the 2011 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary share at the time the award vests with zero exercise price. The issued RSUs will vest 50%, and 50%, respectively, on each anniversary of the grant date. The Company recognizes share-based compensation cost on the RSUs on a straight-line basis over the vesting period from the grant date.

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#### **14. SHARE BASED COMPENSATION (CONTINUED)**

##### ***2011 Share Incentive Plan (continued)***

On September 1, 2015, the Board of Directors approved that all 3,312,618 unvested options and 28,639,900 RSUs granted under the 2011 Plan became vested and exercisable as of September 1, 2015. Meanwhile, the Board of Directors also approved that all vested and accelerated vested options and RSUs shall be exercised within 2 years from the acceleration date, i.e. September 1, 2017, which was subsequently extended by another 1 year approved by the Company on June 20, 2017. On August 31, 2018, the Company approved to extend the expiration date of these Accelerated Awards by another 1 year to September 1, 2019. On August 31, 2019, the Company approved to extend the expiration date of these Accelerated Awards by another 1 year to September 1, 2020. An amendment to an existing stock option to extend the exercise period is considered a modification of stock option. The incremental value of the stock option granted to the current employees is recorded as additional compensation cost and the fair value of the modified stock option granted to former employees is record as financial liability when it is material.

On July 1, 2016, under the 2011 Plan, the Board of Directors approved to grant 32,028,700 share options with exercise price of \$0.20 per share to its employees and management. 40%, 30% and 30% of the shares subject to the options shall vest on the second, third and fourth anniversary of the vesting commencement date, respectively, provided that the optionee continues to be a service provider to the Company.

On July 1, 2016, the Board of Directors also approved to grant 10,430,000 RSUs awards pursuant to the 2011 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary shares at the time the award vests with zero exercise price. The issued RSUs will vest 100% when the following two conditions are both met: a) on and after the first anniversary of the grant date and b) the market price of the Company's ADS is not less than \$7 per ADS. As the second condition was not met, nil RSU was vested as of December 31, 2019. The Company recognizes share-based compensation cost on the RSUs ratably over the 12 months from the grant date.

On July 9, 2020, the Board of Directors also approved to grant 550,001 RSUs awards pursuant to the 2011 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary shares at the time the award vests with zero exercise price. The issued RSUs has a four-year time-based vesting schedule with a one-year cliff. After the cliff, 1/12 of the remaining granted shares vest each quarter until the four-year vesting period is over. The Company recognizes share-based compensation cost on the RSUs ratably over the 4 years from the grant date.

On January 3, 2021, the management approved to grant 123,000 RSUs awards pursuant to the 2011 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary shares at the time the award vests with zero exercise price. The issued RSUs can be exercised immediately.

On January 25, 2021, the management also approved to grant 224,000 RSUs awards pursuant to the 2011 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary shares at the time the award vests with zero exercise price. The issued RSUs can be exercised immediately.

On March 1, 2021, due to a big change in the Company's major shareholders, the management announced that all motivated employees could accelerate the exercise of all RSUs that had been granted but had not yet reached the exercise period, with zero exercise price.

##### ***2020 Share Incentive Plan***

On November 24, 2020, the Board of Directors approved the Company 2020 Share Incentive Plan ("2020 Plan"). The 2020 Plan permits the awards of options, restricted shares, restricted share units or other types of awards approved by compensation committee of the board.

The Company recognized compensation cost on the restricted shares to employees under 2020 Plan on a straight-line basis over the requisite service period.



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#### 14. SHARE BASED COMPENSATION (CONTINUED)

##### *2020 Share Incentive Plan (continued)*

On November 24, 2020, the Board of Directors also approved to grant 205,600 RSUs awards pursuant to the 2020 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary shares at the time the award vests with zero exercise price. The issued RSUs has a four-year time-based vesting schedule with a one-year cliff. After the cliff, 1/12 of the remaining granted shares vest each quarter until the four-year vesting period is over. The Company recognizes share-based compensation cost on the RSUs ratably over the 4 years from the grant date.

On January 3, 2021, the management also approved to grant 140,000 RSUs awards pursuant to the 2020 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary shares at the time the award vests with zero exercise price. The issued RSUs can be exercised immediately.

On January 25, 2021, the management also approved to grant 100,000 RSUs awards pursuant to the 2020 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary shares at the time the award vests with zero exercise price. The issued RSUs can be exercised immediately.

On March 1, 2021, due to a big change in the Company's major shareholders, the management announced that all motivated employees could accelerate the exercise of all RSUs that had been granted but had not yet reached the exercise period, with zero exercise price.

On April 30, 2021, the management also approved to grant 20,000 RSUs awards pursuant to the 2020 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary shares at the time the award vests with zero exercise price. The issued RSUs can be exercised immediately.

##### *2021 Share Incentive Plan*

On August 24, 2021, the Board approved the Company 2021 Share Incentive Plan ("2021 Plan"). The 2021 Plan permits the awards of restricted shares, restricted share units or other types of awards approved by compensation committee of the board.

The Company recognized compensation cost on the restricted shares to employees under 2021 Plan on a straight-line basis over the requisite service period.

On August 25, 2021, the management approved to grant 1,099,443 RSUs awards pursuant to the 2021 Plan. Each RSU represents the contingent right of the participant to receive an ordinary share. Each RSU is an agreement to issue ordinary shares at the time the award vests with zero exercise price. According to the decision of management, 527,777 RSUs can be exercised immediately, 50% of the rest 571,666 RSUs has a six months time-based vesting schedule, 50% of the rest 571,666 RSUs has a twelve months time-based vesting schedule.

##### *Restricted Shares Award Granted to Employees*

The following table summarizes the Company's restricted shares award issued under the 2011 Plan for the year ended December 31, 2022(one share of RSU, or ADR equals to 360 shares of ordinary share):

	Outstanding RSUs	
	Number of Shares	Grant date Fair value US\$
<b>Unvested as of January 1, 2022</b>	<b>112,501</b>	<b>2.43</b>
Grant	—	—
Vested and transfer to grantee	(37,500)	2.43
Forfeited and expected Forfeit	(75,001)	2.43
<b>Unvested as of December 31, 2022</b>	<b>—</b>	<b>—</b>

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#### 14. SHARE BASED COMPENSATION (CONTINUED)

##### *Restricted Shares Award Granted to Employees (continued)*

There were no unvested restricted shares award issued under the 2020 Plan and the 2021 Plan at the beginning of the 2022. Of the 1,111,111 ADSs issued and vested on September 27, 2021 under the 2021 Plan, 527,777 ADSs are exercised in 2021 and the remaining 571,666 ADSs are exercised in 2022.

\$286,132, \$8,349,270, and \$558,395 share-based compensation charged to operating expenses of continuing operations for the year ended December 31, 2020, 2021 and 2022 under the 2011 Plan, 2020 Plan and 2021 Plan.

As of December 31, 2022, no unrecognized share-based compensation related to RSUs issued to employees and unrecognized share-based compensation related to share options of continuing operations remained.

#### 15. RELATED PARTY BALANCES AND TRANSACTIONS

Nature of the relationships with related parties:

Name	Relationship with the Company
Kaiming Hu	Previous owner of NBpay group, former shareholder of Mercury
Zhiyou Wang	Former director of Mercury's affiliated companies, former shareholder of Mercury
Guoda Technology (Shenzhen) Co., Ltd.	A company associated with Zhiyou Wang
Radiance Holding (HK) Limited	Former shareholder of Mercury
Wei Zheng	Director of Mercury's affiliated companies
Ying Wang	Associated with Zhiyou Wang

a) As of December 31, 2022, the following balance was due from the related party:

##### *Net Amount due from the related party*

		As of December 31, 2022 US\$
Kaiming Hu	(i)	—
Guoda Technology (Shenzhen) Co., Ltd.	(ii)	—
Wei Zheng	(iii)	25,000

- i. The receivable due from Mr. Kaiming Hu is \$556,083 at the end of December 31, 2021, related to capital contribution. Due to the changes of the company's management and business team in the second half of 2021, the Company failed to collect the receivable from Mr. Kaiming Hu in a timely manner. The Company made full provision for doubtful accounts for this receivable at the end of 2021.
- ii. The amounts represent the receivables of \$1,503 due from Guoda Technology (Shenzhen) Co., Ltd. related to office lease fee settlement. As Guoda Technology (Shenzhen) Co., Ltd. ceased operations due to poor management in 2022, the Company was unable to recover this receivable, so the Company made full provision for doubtful accounts for this receivable in 2022.
- iii. On September 10, 2022, Mercury Fintech Technology Holding Inc. ("MFH Tech"), a subsidiary of the Company, provided a loan of US \$25,000 to Mr. Wei Zheng, the director of MFH Tech, with a term of one year. As of December 31, 2022, Mr. Wei Zheng has not repaid the loan.

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## 15. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

b) As of December 31, 2021, the following balance was due to the related party:

### *Net Amount due to the related party*

		As of December 31, 2022 US\$
Zhiyou Wang	(i)	250,396
Radiance Holding (HK) Limited	(ii)	273,000
Ying Wang	(iii)	400,000

- i. The amounts represent the payables of \$250,396 due to Zhiyou Wang related to the Company's borrowing from shareholders because of a temporary shortage of RMB funds.
- ii. The amounts represent the payables of \$273,000 due to Radiance Holding (HK) Limited related to the Company's borrowing shares from shareholders to pay agency fees with 100,000 ADSs of the Company.
- iii. On June 13, 2022, the Company issued a promissory note to Ying Wang, a Singapore resident associated with Zhiyou Wang, in the principal amount of up to USD\$5,000,000 to provide for the Company's working capital. The Note has a term of one year with the maturity date on June 1, 2023 and bears no interest other than any applicable imputed interest charged by the appropriate government authority. The balance of the Note may be prepaid at any time before the Maturity Date. As of December 31, 2022, the Company has received USD\$0.4 million of the Note from the Noteholder.

## 16. COMMITMENTS AND CONTINGENCIES

### *Operating lease commitments*

The Company leases certain office premises under non-cancellable leases. Rental expenses under operating leases for the year ended December 31, 2020, 2021 and 2022 were \$18,589, \$101,508 and \$125,242, respectively.

The future aggregate minimum lease payments under non-cancellable operating lease agreements were as follows:

Years ending December 31,	US\$
2023	380,420
2024	375,940
2025	288,594
<b>Total</b>	<b>1,044,954</b>

## 17. MAINLAND CHINA CONTRIBUTION PLAN

Full time PRC employees of the Company are eligible to participate in a government-mandated multi-employer defined contribution plan under which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to these employees. The PRC labor regulations require the Company to accrue for these benefits based on a percentage of each employee's income. Total provisions for employee benefits were \$93,096 and \$27,126 for the year ended December 31, 2021 and 2022, respectively, reported as a component of operating expenses of continuing operations when incurred.

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## **18. STATUTORY RESERVES AND RESTRICTED NET ASSETS**

In accordance with the Regulations on Enterprises with Foreign Investment of China and their articles of association, the Company's subsidiaries located in the PRC, being foreign invested enterprises established in the PRC, are required to provide for certain statutory reserves. These statutory reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund or discretionary reserve fund, and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires a minimum annual appropriation of 10% of after-tax profit (as determined under accounting principles generally accepted in China at each year-end); the other fund appropriations are at the subsidiaries' or the affiliated PRC entities' discretion. These statutory reserve funds can only be used for specific purposes of enterprise expansion, staff bonus and welfare, and are not distributable as cash dividends except in the event of liquidation of our subsidiaries, our affiliated PRC entities and their respective subsidiaries. The Company's subsidiaries are required to allocate at least 10% of their after-tax profits to the general reserve until such reserve has reached 50% of their respective registered capital. As of December 31, 2021 and 2022, none of the Company's PRC subsidiaries has a general reserve that reached 50% of their registered capital threshold and therefore they will continue to allocate at least 10% of their after-tax profits to the general reserve fund.

Appropriations to the enterprise expansion reserve and the staff welfare and bonus reserve are to be made at the discretion of the Board of Directors of each of the Company's subsidiaries.

As the Company's PRC subsidiaries have been operating at a loss, they have yet to set aside any certain statutory reserves as of December 31, 2022, and the appropriation to these reserves by the Company's PRC subsidiaries were all \$nil for the year ended December 31, 2021 and 2022.

As a result of these PRC laws and regulations and the requirement that distributions by the PRC entities can only be paid out of distributable profits computed in accordance with the PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Company. Amounts restricted include paid-in capital and the statutory reserves of the Company's PRC subsidiaries. As of December 31, 2022, the net assets of the Company's PRC subsidiaries were negative.

## **19. SUBSEQUENT EVENTS**

### ***\$5 million PIPEs financing engaged on December 23, 2022 and closed on January 10, 2023***

On December 23, 2022, the Company entered into a Securities Purchase Agreement (the "SPA") in connection with a private investment in public equity (the "PIPE") financing with an accredited non-U.S. investor to offer and sell the Company's aggregate of 4,545,454,546 units at a purchase price of \$0.00110 per unit, each consisting of one ordinary share and three warrants for total gross proceeds of USD\$5 million. The Company expects to use the net proceeds from the three rounds of PIPE financing to develop its Web3 and blockchain infrastructure, expand its consultation services, and pursue the licensure for cryptocurrency ("BitLicense") from New York State Department of Financial Services although the Company cannot provide any assurance on actually obtaining the "BitLicense" in the near future or at all.

The Company issued the 4,545,454,546 ordinary shares to the investor upon receiving the \$5 million from the investor on January 10, 2023.

### ***\$9 Million purchase of 5,000 Antminer S19 PRO Bitcoin mining machines engaged on January 10, 2023***

On January 10, 2023, the Company entered into an asset purchase agreement with Jinhe Capital Limited, providing for the purchase of 5,000 Antminer S19 PRO Bitcoin mining machines, for an aggregate consideration of USD\$9,000,000. These machines will be delivered by July 10, 2023, and will be used for physical Bitcoin mining business.

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**19. SUBSEQUENT EVENTS (CONTINUED)**

***\$9 Million Unsecured Convertible Promissory Note issued on February 6, 2023***

On February 6, 2023, the Company entered into a Securities Purchase Agreement ("SPA") with a non-U.S. investor. Pursuant to the SPA, the Company issued the Purchaser an Unsecured Convertible Promissory Note with a face value of \$9 million upon receiving the Proceeds from the Purchaser on February 2, 2023.

After deducting fees and expenses of attorneys, accountants, consultants, and financial advisors, the Company intends to use net proceeds from the Note to provide funding for developing Web3 and blockchain infrastructure, expanding its consultation services, as well as pursuing a cryptocurrency license from the New York State Department of Financial Services ("BitLicense"). However, the Company cannot provide any assurance on successfully obtaining the "BitLicense" for the foreseeable future or at all.

The Note shall bear non-compounding interest at a rate per annum equal to 5% from the date of issuance until repayment of the Note unless the Purchaser elects to convert the Note into ordinary shares. If the Purchaser does not elect to convert the Note, then the outstanding principal amount and all accrued but unpaid interest on the Note shall be due and payable upon the one-year anniversary of the Issuance Date of the Note (the "Maturity Date"). The Purchaser has the right to convert the outstanding balance under the Note into the Company's ordinary shares (the "Conversion Shares") at a per share price equal to \$0.00172 (the "Conversion Share Price," equivalent to \$0.62 per ADR) according to the terms and conditions of the Note. In addition, upon conversion of the Note, the Purchaser shall receive 100% warrant coverage equal to the number of Conversion Shares with the exercise price at the Conversion Share Price.

***The Share Consolidation and Change of the ADR ratio***

On December 29, 2022, the Company's Board of Directors approved to proceed with: 1) the share consolidation and simultaneous change of the ADR ratio; 2) the transfer of the register of members of the Company; and 3) the termination of the deposit agreement. The Board approved the proposal on the share consolidation to the authorized share capital (the "Share Consolidation") at a ratio of four hundred (400)-for-one (1) with the par value of each ordinary share changed to US\$0.004 per ordinary share.

Following the Share Consolidation, the authorized share capital of the Company will be US\$250,000 divided into 62,500,000 ordinary shares with a par value of US\$0.004 each (the "Ordinary Share"). Further, as approved by the Board, the Company will effect a simultaneous change of the American Depositary Receipts ("ADRs") to ordinary share ratio from 1-to-360 to 1-to-1 (the "ADR Ratio Change").

The Board approved the transfer of the register of members of the Company from Maples Corporate Services Limited to VStock Transfer, LLC, which will act as the transfer agent of the Company's ordinary shares, upon the suspension of the Company's ADRs program and the commencement of trading the Company's ordinary shares. The Board approved to terminate the Deposit Agreement, as amended (the "Deposit Agreement") effective on February 28, 2023, by and among the Company, Citibank, N.A., and the holders and beneficial owners of American Depositary Shares outstanding under the terms of the Deposit Agreement dated as of April 13, 2015 and as amended. As a result of the Mandatory Exchange and Share Consolidation, ADR holders should expect to receive nine-tenths (0.9) of one (1) new ordinary share for every ADR held immediately before the Effective Date but the opening price of the ordinary share post the Share Consolidation and Mandatory Exchange should increase by one-ninth (1/9) of the closing price of the ADRs immediately before the Effective Date.

As of February 28, 2023, the total number of ordinary shares issued and outstanding post the Share Consolidation and Mandatory Exchange was 46,537,290 shares. All shares and share amounts presented herein have been retroactively to reflect the impact of the Share Consolidation.

**MERCURY FINTECH HOLDING INC.**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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**19. SUBSEQUENT EVENTS (CONTINUED)**

***Efforts to recover the Company's misplaced digital assets (the "Recovery Proceeding")***

On November 21, 2022, Deheng Law Firm ("Deheng"), the Company's attorney, submitted the complaint and evidentiary materials to the Sheyang Public Security Bureau according to the Criminal Procedure Law and the Provisions on Procedures of Handling Criminal Cases by Public Security Organs.

On November 21, 2022, Deheng Law Firm ("Deheng"), the Company's attorney, submitted the complaint and evidentiary materials to the Sheyang Public Security Bureau according to the Criminal Procedure Law and the Provisions on Procedures of Handling Criminal Cases by Public Security Organs.

On February 6, 2023 and March 1, 2023, the lawyer from Deheng continued to communicate with the police officer of Sheyang Public Security Bureau and the police officer confirmed that they had received the above-mentioned complaint and evidentiary materials, and he made the following reply after talking with the Company's former CFO on relevant issues and communicating with the procuratorate: 1) Sheyang Public Security Bureau acknowledged that the digital assets in the seized digital assets cold wallet belongs to the Company, that is, they recognized the fact in the appeal materials submitted by Deheng about the acquisition of digital assets by means of private financing and the digital assets mining business of the Company. 2) Sheyang Public Security Bureau believes that even if the source of the digital assets is real and traceable, it does not prove that the digital assets are not related to the case they investigated, so before the case related the Company's former CFO is solved, they still cannot release the seizure of the digital assets under this circumstance.

Deheng believes that in the absence of evidence that the digital assets related to the case they investigated, it should not be presumed to be actually related to the case they investigated or existing any illegal situation, otherwise, the Company to bear the burden of proof to prove that the digital assets are not related to the case they investigated, is a violation of the obligation of the public prosecution. If Sheyang Public Security Bureau fails to release the seizure of the digital assets, they should issue a legal written decision.

The Company together with Deheng will continue to vigorously pursue the Recovery Proceeding, attempting to regain its cold wallet and cryptocurrencies contained therein, which the Company believes were wrongfully seized and impounded by the Public Security Bureau.

***Write off NBpay Investment Limited and its subsidiaries***

On January 28, 2023, the Company decided to write off NBpay Investment Limited and its subsidiaries, which are all shell companies without any assets, employees or business. After the adjustment of the above corporate structure, the Company will take MFH Tech, the US subsidiary, as the operating entity of distributed computing and storage services business and digital consultation services business in North America, and will take Mercury Limited and its Hong Kong and China subsidiaries as the operating entities of blockchain technical services business and digital consultation services business in the Asia-Pacific region.

***Incorporate new US subsidiary to development online and traditional brokerage services***

On April 12, 2023, the Company completed the incorporation of another US subsidiary, Chaince Securities, Inc., which plans to develop online and traditional brokerage services independently in the future.

## MERCURY FINTECH HOLDING INC.

## 2022 SHARE INCENTIVE PLAN

## PURPOSE

The purpose of this 2022 Share Incentive Plan (the "Plan") is to promote the success and enhance the value of Mercury Fintech Holding Inc., an exempted company incorporated under the laws of the Cayman Islands (the "Company"), by linking the personal interests of the Directors, Employees, and Consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Company's shareholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of Directors, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

## ARTICLE 1

## DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan, they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

- 1.1 "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders, and the rules of any applicable stock exchange or national market system, of any jurisdiction applicable to Awards granted to residents therein.
- 1.2 "Applicable Accounting Standards" shall mean Generally Accepted Accounting Principles in the United States, International Financial Reporting Standards or such other accounting principles or standards as may apply to the Company's financial statements under United States federal securities laws from time to time.
- 1.3 "Award" means an Option, Restricted Share or Restricted Share Unit award granted to a Participant pursuant to the Plan or any other equity incentive award granted to a Participant by the Company pursuant to the authorizations of the Committee.
- 1.4 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing the grant of an Award entered into by and between the Company and a Participant and any amendment thereto, including through electronic medium.
- 1.5 "Board" means the Board of Directors of the Company.
- 1.6 "Cause" with respect to a Participant means (unless otherwise expressly provided in the applicable Award Agreement, or another applicable contract with the Participant that defines such term for purposes of determining the effect that a "for cause" termination has on the Participant's Awards) a termination of employment or service based upon a finding by the Service Recipient, acting in good faith and based on its reasonable belief at the time, that the Participant:
  - (a) has been negligent in the discharge of his or her duties to the Service Recipient, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a disability or analogous condition) incapable of performing those duties;
  - (b) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information;

(c) has breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Service Recipient; or has been convicted of, or plead guilty or nolo contendere to, a felony or misdemeanor (other than minor traffic violations or similar offenses);

(d) has materially breached any of the provisions of any agreement with the Service Recipient; has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Service Recipient; or

(e) has improperly induced a vendor or customer to break or terminate any contract with the Service Recipient or induced a principal for whom the Service Recipient acts as agent to terminate such agency relationship.

A termination for Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Committee) on the date on which the Service Recipient first delivers written notice to the Participant of a finding of termination for Cause. "Code" means the Internal Revenue Code of 1986 of the United States, as amended.

1.7 "Committee" means the Compensation Committee of the Board, or in the absence of such committee, the Board.

1.8 "Consultant" means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to a Service Recipient; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (c) the consultant or adviser is a Person who has contracted directly with the Service Recipient to render such services.

1.9 "Corporate Transaction", unless otherwise defined in an Award Agreement, means any of the following transactions, provided, however, that the Committee shall determine under (d) and (e) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement or consolidation or scheme of arrangement (i) in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated or (ii) following which the holders of the voting securities of the Company do not continue to hold more than 50% of the combined voting power of the voting securities of the surviving entity;

(b) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(c) the complete liquidation or dissolution of the Company;

(d) any reverse takeover or series of related transactions culminating in a reverse takeover (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company is the surviving entity but (A) the Company's equity securities outstanding immediately prior to such takeover are converted or exchanged by virtue of the takeover into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a Person or Persons different from those who held such securities immediately prior to such takeover or the initial transaction culminating in such takeover, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction; or

(e) acquisition in a single or series of related transactions by any Person or related group of Persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction.



1.10 "Director" means a member of the Board or a member of the board of directors of any Parent, Subsidiary or Related Entity of the Company.

1.11 "Disability" unless otherwise defined in an Award Agreement, means that the Participant qualifies to receive long-term disability payments under the Service Recipient's long-term disability insurance program, as it may be amended from time to time, to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Service Recipient to which the Participant provides service does not have a long-term disability plan in place, "Disability" means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion.

1.12 "Effective Date" shall have the meaning set forth in Section 10.1.

1.13 "Employee" means any Person, including an officer or a Director of any Group Entity, who is in the employment of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a director's fee by a Service Recipient shall not be sufficient to constitute "employment" by the Service Recipient.

1.14 "Exchange Act" means the Securities Exchange Act of 1934 of the United States, as amended.

1.15 "Fair Market Value" means, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established stock exchanges or national market systems, including without limitation, the New York Stock Exchange and the Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable;

(b) If the Shares are regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such shares as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Shares of the type described in (a) and (b), above, the Fair Market Value thereof shall be determined by the Committee in good faith and in its discretion by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company's business operations and the general economic and market conditions since such latest private placement, (ii) other third party transactions involving the Shares and the development of the Company's business operation and the general economic and market conditions since such sale, (iii) an independent valuation of the Shares, or (iv) such other methodologies or information as the Committee determines to be indicative of Fair Market Value and relevant.

1.16 "Group Entity" means any of the Company and Parents, Subsidiaries and Related Entities of the Company.

1.17 "Incentive Share Option" means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

1.18 "Independent Director" means (i) before the Shares or other securities representing the Shares are listed on a stock exchange, a member of the Board who is a Non-Employee Director; and (ii) after the Shares or

other securities representing the Shares are listed on a stock exchange, a member of the Board who meets the independence standards under the applicable corporate governance rules of the stock exchange.

1.19 "Non-Employee Director" means a member of the Board who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition adopted by the Board.

1.20 "Non-Qualified Share Option" means an Option that is not intended to be an Incentive Share Option.

1.21 "Option" means a right granted to a Participant pursuant to Article 4 of the Plan to purchase a specified number of Shares at a specified price during specified time periods. An Option may be either an Incentive Share Option or a Non-Qualified Share Option.

1.22 "Participant" means a Person who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

1.23 "Parent" means a parent corporation under Section 424(e) of the Code.

1.24 "Person" means any natural person, firm, company, corporation, body corporate, partnership, association, government, state or agency of a state, local, municipal or provincial authority or government body, joint venture, trust, individual proprietorship, business trust or other enterprise, entity or organization (whether or not having separate legal personality).

1.25 "Plan" means this 2022 Share Incentive Plan, as it may be amended from time to time.

1.26 "Related Entity" means any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or Subsidiary of the Company holds a substantial ownership interest, directly or indirectly, or controls through contractual arrangements and consolidates the financial results according to the Applicable Accounting Standards, but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

1.27 "Restricted Share" means a Share awarded to a Participant pursuant to Article 5 that is subject to certain restrictions and may be subject to risk of forfeiture.

1.28 "Restricted Share Unit" means the right granted to a Participant pursuant to Article 6 to receive a Share at a future date.

1.29 "Securities Act" means the Securities Act of 1933 of the United States, as amended.

1.30 "Service Recipient" means the Company, any Parent, Subsidiary or Related Entity of the Company to which a Participant provides services as an Employee, a Consultant or a Director.

1.31 "Share" means ordinary shares, par value US\$0.00001 per share, of the Company, and such other securities of the Company that may be substituted for Shares pursuant to Article 8.

1.32 "Subsidiary" means any corporation or other entity of which a majority of the outstanding voting shares or voting power is beneficially owned directly or indirectly by the Company.

1.33 "Trading Date" means the closing of the first sale to the general public of the Shares pursuant to a registration statement filed with and declared effective by the U.S. Securities and Exchange Commission under the Securities Act.

## ARTICLE 2

## SHARES SUBJECT TO THE PLAN

### 2.2 Number of Shares

(a) Subject to the provisions of Article 8 and Section 2.1(b), the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Share Options) under the Plan shall be 1,100,000,000 Shares.

(b) To the extent that an Award terminates, expires, or lapses for any reason, then any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. Shares delivered by the Participant or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1(a). If any Awards are forfeited by the Participant or repurchased by the Company, the Shares underlying such Awards may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1(a). To the extent permitted by Applicable Laws, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by a Group Entity shall not be counted against Shares available for grant pursuant to the Plan. Notwithstanding the provisions of this Section 2.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Share Option to fail to qualify as an incentive stock option under Section 422 of the Code.

2.2 Shares Distributed. Any Shares issued or transferred to a Participant pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury shares (subject to Applicable Laws) or Shares purchased on the open market. Additionally, in the discretion of the Committee, American Depositary Shares in an amount equal to the number of Shares which otherwise would be distributed pursuant to an Award may be distributed in lieu of Shares in settlement of any Award. If the number of Shares represented by an American Depositary Share is other than on a one-to-one basis, the limitations of Section 2.1 shall be adjusted to reflect the distribution of American Depositary Shares in lieu of Shares.

## ARTICLE 3

### ELIGIBILITY AND PARTICIPATION

3.1 Eligibility. Persons eligible to participate in this Plan include Employees, Consultants, and all Directors, as determined by the Committee.

3.2 Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to this Plan.

3.3 Jurisdictions. In order to assure the viability of Awards granted to Participants in various jurisdictions, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; *provided, however*, that no such supplements, amendments, restatements, or alternative versions shall increase the aggregate number of Shares which may be issued pursuant to all Awards contained in Section 2.1 of the Plan. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

## ARTICLE 4

### OPTIONS

4.1 General. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) Exercise Price. The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the Award Agreement which may be a fixed or variable price related to the Fair Market Value of the Shares. The exercise price per Share subject to an Option may be amended or adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive, provided that in no circumstances may the exercise price per Share be less than the par value of the Share issued. For the avoidance of doubt, to the extent not prohibited by Applicable Laws or any exchange rule, a downward adjustment of the exercise prices of Options mentioned in the preceding sentence may be effective without the approval of the Company's shareholders or the approval of the affected Participants.

(b) Time and Conditions of Exercise. The Option may not be exercised if the issuance of the Shares subject to the Option upon such exercise would constitute a violation of any Applicable Laws. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; *provided* that the term of any Option granted under the Plan shall not exceed ten years, except as provided in Section 11.1. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation (i) cash or check denominated in U.S. Dollars, (ii) to the extent permissible under the Applicable Laws, cash or check in Chinese Renminbi, (iii) cash or check denominated in any other local currency as approved by the Committee, (iv) a repurchase by the Company of Shares held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, and the utilization of the repurchase price as the payment of the exercise price, (v) after the Trading Date the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale, which shall be no less than the par value of the Share to be issued, to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale, (vi) other property acceptable to the Committee with a Fair Market Value equal to the exercise price, or (vii) any combination of the foregoing. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

(e) Effects of Termination of Employment or Service on Options. Termination of employment or service shall have the following effects on Options granted to the Participants unless otherwise provided in the Award Agreement:

(i) Dismissal for Cause. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient is terminated by the Service Recipient for Cause, the Participant's Options will terminate upon such termination, whether or not the Option is then vested and/or exercisable;

(ii) Death or Disability. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient terminates as a result of the Participant's death or Disability:

(a) the Participant (or his or her legal representative or beneficiary, in the case of the Participant's Disability or death, respectively), will have until the

date that is 12 months after the Participant's termination of Employment to exercise the Participant's Options (or portion thereof) to the extent that such Options were vested and exercisable on the date of the Participant's termination of Employment on account of death or Disability;

(b) the Options, to the extent not vested and exercisable on the date of the Participant's termination of Employment or service, shall terminate upon the Participant's termination of Employment or service on account of death or Disability; and

(c) the Options, to the extent exercisable for the 12-month period following the Participant's termination of Employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 12-month period.

(iii) Other Terminations of Employment or Service. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient terminates for any reason other than a termination by the Service Recipient for Cause or because of the Participant's death or Disability:

(a) the Participant will have until the date that is 90 days after the Participant's termination of Employment or service to exercise his or her Options (or portion thereof) to the extent that such Options were vested and exercisable on the date of the Participant's termination of Employment or service;

(b) the Options, to the extent not vested and exercisable on the date of the Participant's termination of Employment or service, shall terminate upon the Participant's termination of Employment or service; and

(c) the Options, to the extent exercisable for the 90-day period following the Participant's termination of Employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 90-day period.

4.2 Incentive Share Options. Incentive Share Options may be granted to Employees of the Company, a Parent or Subsidiary of the Company. Incentive Share Options may not be granted to Employees of a Related Entity or to Independent Directors or Consultants. The terms of any Incentive Share Options granted pursuant to the Plan, in addition to the requirements of Section 4.1, must comply with the following additional provisions of this Section 4.2:

(a) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Share Options are first exercisable by a Participant in any calendar year may not exceed \$100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Share Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Share Options.

(b) Exercise Price. The exercise price of an Incentive Share Option shall be equal to the Fair Market Value on the date of grant, provided that the exercise price shall not be less than the par value of such Shares. However, the exercise price of any Incentive Share Option granted to any individual who, at the date of grant, owns Shares possessing more than ten percent of the total combined voting power of all classes of shares of the Company may not be less than 110% of Fair Market Value on the date of grant and such Incentive Share Option may not be exercisable for more than five years from the date of grant.

(c) Transfer Restriction. The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Share Option within (i) two years from the date of grant of such Incentive Share Option or (ii) one year after the transfer of such Shares to the Participant.

(d) Expiration of Incentive Share Options. No Award of an Incentive Share Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(e) Right to Exercise. During a Participant's lifetime, an Incentive Share Option may be exercised only by the Participant.

## ARTICLE 5

### RESTRICTED SHARES

5.1 Grant of Restricted Shares. The Committee, at any time and from time to time, may grant Restricted Shares to Participants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Restricted Shares to be granted to each Participant.

5.2 Restricted Shares Award Agreement. Each Award of Restricted Shares shall be issued to Participants at the time of grant upon appropriate entries being made in the register of members of the Company to record such Participants as the holder of such Restricted Shares and shall be evidenced by an Award Agreement that shall specify the period of restriction, the number of Restricted Shares granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine. Unless the Committee determines otherwise, the share certificates representing Restricted Shares shall be held by the Company in escrow until the restrictions on such Restricted Shares have lapsed.

5.3 Issuance and Restrictions. Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Shares or the right to receive dividends on the Restricted Share). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

5.4 Forfeiture/Repurchase. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Shares that are at that time subject to restrictions shall be forfeited or repurchased in accordance with the Award Agreement; *provided, however*, the Committee may (a) provide in any Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Shares.

5.5 Certificates for Restricted Shares. Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

5.6 Removal of Restrictions. Except as otherwise provided in this Article 5, the share certificates represented the vested Restricted Shares granted under the Plan, if held in escrow, shall be released from escrow as soon as practicable after the last day of the period of restriction. The Committee, in its discretion, may accelerate the time at which any restrictions shall lapse or be removed. After the restrictions have lapsed, the Participant shall be entitled to have any legend or legends under Section 5.5 removed from his or her Share certificate, and the Shares shall be freely transferable by the Participant, subject to applicable legal restrictions. The Committee (in its discretion) may establish procedures regarding the release of Shares from escrow and the removal of legends, as necessary or appropriate to minimize administrative burdens on the Company.

## ARTICLE 6

### RESTRICTED SHARE UNITS

6.1 Grant of Restricted Share Units. The Committee, at any time and from time to time, may grant Restricted Share Units to Participants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Restricted Share Units to be granted to each Participant.

6.2 Restricted Share Units Award Agreement. Each Award of Restricted Share Units shall be evidenced by an Award Agreement that shall specify any vesting conditions, the number of Restricted Share Units granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

6.3 Performance Objectives and Other Terms. The Committee, in its discretion, may set performance objectives or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of Restricted Share Units that will be paid out to the Participants.

6.4 Form and Timing of Payment of Restricted Share Units. At the time of grant, the Committee shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable. Upon vesting, the Committee, in its sole discretion, may pay Restricted Share Units in the form of cash, in Shares or in a combination thereof.

6.5 Forfeiture/Repurchase. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Share Units that are at that time unvested shall be forfeited or repurchased in accordance with the Award Agreement; *provided, however*, the Committee may (a) provide in any Restricted Share Unit Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Share Units will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Share Units.

## ARTICLE 7

### PROVISIONS APPLICABLE TO AWARDS

7.1 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

7.2 No Transferability; Limited Exception to Transfer Restrictions.

7.2.1 Limits on Transfer. Unless otherwise expressly provided in (or pursuant to) this Section 7.2, by Applicable Laws and by the Award Agreement, as the same may be amended:

- (a) all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge;
- (b) Awards will be exercised only by the Participant; and
- (c) amounts payable or shares issuable pursuant to an Award will be delivered only to (or for the account of), and, in the case of Shares, registered in the name of, the Participant.

In addition, the Shares to be issued upon the vesting of the Awards shall be subject to the restrictions set forth in the applicable Award Agreement.

7.2.2 Further Exceptions to Limits on Transfer. The exercise and transfer restrictions in Section 7.2.1 will not apply to:

- (a) transfers to the Company or a Subsidiary;

- (b) transfers by gift to "immediate family" as that term is defined in SEC Rule 16a-1(e) promulgated under the Exchange Act;
- (c) the designation of a beneficiary to receive benefits if the Participant dies or, if the Participant has died, transfers to or exercises by the Participant's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution;
- (d) if the Participant has suffered a disability, permitted transfers or exercises on behalf of the Participant by the Participant's duly authorized legal representative; or
- (e) subject to the prior approval of the Committee or an executive officer or director of the Company as authorized by the Committee, transfer to one or more Persons who are the Participant's family members or entities owned and controlled by the Participant and/or the Participant's family members, including but not limited to trusts or other entities whose beneficiaries or beneficial owners are the Participant and/or the Participant's family members, or to such other Persons as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee or may establish. Any permitted transfer shall be subject to the condition that the Committee receives evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes and on a basis consistent with the Company's lawful issue of securities.

Notwithstanding anything else in this Section 7.2.2 to the contrary, but subject to compliance with all Applicable Laws, Incentive Share Options, Restricted Shares and Restricted Share Units will be subject to any and all transfer restrictions under the Code applicable to such Awards or necessary to maintain the intended tax consequences of such Awards. Notwithstanding clause (b) above but subject to compliance with all Applicable Laws, any contemplated transfer by gift to "immediate family" as referenced in clause (b) above is subject to the condition precedent that the transfer be approved by the Committee in order for it to be effective.

7.3 Beneficiaries. Notwithstanding Section 7.2, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other Person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a Person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the Person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

7.4 Share Certificates. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing the Shares pursuant to the exercise of any Award, unless and until the Committee has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all Applicable Laws. All Share certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with all Applicable Laws. The Committee may place legends on any Share certificate to reference restrictions applicable to the Shares. In addition to the terms and conditions provided herein, the Committee may require that a Participant make such reasonable covenants, agreements, and representations as the Committee, in its discretion, deems advisable in order to comply with any such Applicable Laws. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

7.5 Paperless Administration. Subject to Applicable Laws, the Committee may make Awards, provide applicable disclosure and procedures for exercise of Awards by an internet website or interactive voice response system for the paperless administration of Awards.



7.6 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the discretion of the Committee, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

7.7 Foreign Currency. A Participant may be required to provide evidence that any currency used to pay the exercise price of any Award was acquired and taken out of the jurisdiction in which the Participant resides in accordance with Applicable Laws, including foreign exchange control laws and regulations. In the event the exercise price for an Award is paid in Chinese Renminbi or other foreign currency, as permitted by the Committee, the amount payable will be determined by conversion from U.S. dollars at the official rate promulgated by the People's Bank of China for Chinese Renminbi, or for jurisdictions other than the People's Republic of China, the exchange rate as selected by the Committee on the date of exercise.

## ARTICLE 8

### CHANGES IN CAPITAL STRUCTURE

8.1 Adjustments. In the event of any dividend, share subdivision, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the shares of Shares or the share price of a Share, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 2.1); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the Plan.

8.2 Corporate Transactions. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Participant, if the Committee anticipates the occurrence, or upon the occurrence, of a Corporate Transaction, the Committee may, in its sole discretion, provide for (i) any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Participant the right to exercise the vested portion of such Awards during a period of time as the Committee shall determine, or (ii) the purchase of any Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award (and, for the avoidance of doubt, if as of such date the Committee determines in good faith that no amount would have been attained upon the exercise of such Award, then such Award may be terminated by the Company without payment), or (iii) the replacement of such Award with other rights or property selected by the Committee in its sole discretion or the assumption of or substitution of such Award by the successor or surviving corporation, or a Parent or Subsidiary thereof, with appropriate adjustments as to the number and kind of Shares and prices, or (iv) payment of Award in cash based on the value of Shares on the date of the Corporate Transaction plus reasonable interest on the Award through the date when such Award would otherwise be vested or have been paid in accordance with its original terms, if necessary to comply with Section 409A of the Code.

8.3 Outstanding Awards — Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 8, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

8.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of Shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee

under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares subject to an Award or the grant or exercise price of any Award.

## ARTICLE 9

### ADMINISTRATION

9.1 Committee. The Plan shall be administered by the Board or the Committee. Any grant or amendment of Awards to any Committee member shall then require an affirmative vote of a majority of the Board members who are not on the Committee.

9.2 Action by the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members of the Committee present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of a Group Entity, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

9.3 Authority of the Committee. Notwithstanding anything to the contrary in the Plan, the Committee has the exclusive power, authority and discretion to:

- (a) designate Participants to receive Awards;
- (b) determine the type or types of Awards to be granted to each Participant;
- (c) determine the number of Awards to be granted and the number of Shares to which an Award will relate;
- (d) determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, purchase price, assignability, transferability, any restrictions or limitations (or lack thereof) on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;
- (e) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (f) prescribe the form of each Award Agreement, which need not be identical for each Participant;
- (g) decide all other matters that must be determined in connection with an Award;
- (h) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;
- (i) interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement;

(j) reduce the exercise price per Share underlying an Option, provided that in no circumstance shall the exercise price per Share be less than the par value of such Share; and

(k) make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

9.4 **Decisions Binding.** The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan, any Award or Award Agreement in connection with Section 9.3 are final, binding, and conclusive on all parties.

## ARTICLE 10

### EFFECTIVE AND EXPIRATION DATE

10.1 **Effective Date.** This Plan shall become effective on the date of its adoption by the Board and, if such approval is required by the Company's currently effective Memorandum and Articles of Association, the approval by shareholders of the Company (the "**Effective Date**").

10.2 **Expiration Date.** The Plan will expire on, and no Award may be granted pursuant to the Plan after the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

## ARTICLE 11

### AMENDMENT, MODIFICATION, AND TERMINATION

11.1 **Amendment, Modification, And Termination.** With the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; *provided, however*, that (a) to the extent necessary to comply with Applicable Laws or stock exchange rules, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than any adjustment as provided by Article 8), or (ii) permits the Committee to extend the term of the Plan or the exercise period for an Option beyond ten years from the date of grant.

11.2 **Awards Previously Granted.** Except with respect to amendments made pursuant to Section 11.1, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

## ARTICLE 12

### GENERAL PROVISIONS

12.1 **No Rights to Awards.** No Participant, Employee, or other Person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Participants, Employees, Consultants, Directors or any other Persons uniformly.

12.2 **No Shareholders Rights.** No Award gives the Participant any of the rights of a Shareholder of the Company unless and until Shares are in fact issued to such Person in connection with such Award (as evidenced by the appropriate entry on the register of members of the Company).

12.3 **Taxes.** No Shares shall be issued under the Plan to any Participant until such Participant has made arrangements acceptable to the Committee for the satisfaction of any income and employment tax withholding obligations under Applicable Laws. The relevant Group Entity shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy all applicable taxes (including the Participant's payroll tax obligations) required or permitted by Applicable Laws to be withheld with

respect to any taxable event concerning a Participant arising as a result of this Plan. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of Shares which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award after such Shares were acquired by the Participant from the Company) in order to satisfy any income and payroll tax liabilities applicable to the Participant with respect to the issuance, vesting, exercise or payment of the Award shall, unless specifically approved by the Committee, be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for the applicable income and payroll tax purposes that are applicable to such supplemental taxable income.

12.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employment or services of any Service Recipient.

12.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the relevant Group Entity.

12.6 Indemnification. To the extent allowable pursuant to Applicable Laws, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such Persons may be entitled pursuant to the Company's Memorandum of Association and Articles of Association, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

12.7 Relationship to Other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of any Group Entity except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

12.8 Expenses. The expenses of administering the Plan shall be borne by the Group Entities.

12.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

12.10 Fractional Shares. No fractional Shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding up or down as appropriate.

12.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by the Applicable Laws, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

12.12 Government and Other Regulations. The obligation of the Company to make payment of awards in Shares or otherwise shall be subject to all Applicable Laws, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register any of the Shares paid pursuant to the Plan under the Securities Act or any other similar law in any applicable jurisdiction. If the Shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act or other Applicable Laws, the Company may restrict the transfer of such Shares in such manner as it deems advisable to ensure the availability of any such exemption.

12.13 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the Cayman Islands.

12.14 Section 409A. To the extent that the Committee determines that any Award granted under the Plan is or may become subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and the Award Agreements shall be interpreted in accordance with Section 409A of the Code and the U.S. Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulation or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance.

12.15 Appendices. With the approval of the Board, the Committee may approve such supplements, amendments or appendices to the Plan as it may consider necessary or appropriate for purposes of compliance with Applicable Laws or otherwise and such supplements, amendments or appendices shall be considered a part of the Plan; provided, however, that no such supplements shall increase the aggregate number of Shares which may be issued pursuant to all Awards contained in Section 2.1 of the Plan.

*[Remainder of Page Intentionally Left Blank]*

**SECURITIES PURCHASE AGREEMENT**

Dated November 11, 2022

among

**Mercurity Fintech Holding Inc.**

and

**The Purchasers Set Forth on the Signature Pages**

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## SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (this "Agreement"), dated November 11, 2022 is entered into by and among (i) Mercurity Fintech Holding Inc., an exempted company with limited liability organized and existing under the laws of the Cayman Islands (the "Company"), and (ii) each of the Persons whose name is set forth on the signature page hereto (the "Purchasers" and each a "Purchaser").

### RECITALS

WHEREAS, each Purchaser desires to subscribe for and purchase, and the Company desires to issue and sell, certain number of Ordinary Shares (as defined below) pursuant to the terms and conditions set forth in this Agreement;

WHEREAS, each Purchaser desires to subscribe for and purchase, and the Company desires to issue and sell, the Warrants (as defined below), in the form attached hereto as Exhibit A, pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Parties hereto, intending to be legally bound, agrees as follows:

### ARTICLE I

#### DEFINITION AND INTERPRETATION

##### Section 1.01 Definition, Interpretation and Rules of Construction

(a) As used in this Agreement, the following terms have the following meanings:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; *provided* that none of the Company, nor any of its Subsidiaries shall be considered an Affiliate of the Purchaser. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have correlative meanings.

"Applicable Law" means, with respect to any Person, any transnational, domestic or foreign, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

"Board" means the board of directors of the Company.

"Business Day" means any day other than a Saturday, Sunday or another day on which commercial banks in the state of New York are required or authorized by law or executive order to be closed.

"Company Fundamental Warranties" means any representations and warranties of the Company contained in Section 4.01(a) to 4.01(j).

"Company SEC Documents" means all registration statements, proxy statements and other statements, reports, schedules, forms and other documents required to be filed or furnished by the Company with the SEC pursuant to the Exchange Act and the Securities Act and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein, in each case, filed or furnished with the SEC.

"Condition" means any condition to any Party's obligation to effect the Closing as set forth in Article III, and collectively, the "Conditions."

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"Governmental Authority" means any supranational, national, provincial, state, municipal, local or other government, whether U.S. or any instrumentality, subdivision, administrative agency or commission thereof, court, other governmental authority or regulatory body or instrumentality, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority or any self-regulatory agency (including any stock exchange).

"Material Adverse Effect" with respect to a Party means any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results in or would reasonably be expected to result in a material adverse change in or a material adverse effect on (i) the financial condition, business or operations of such Party and its Subsidiaries taken as a whole, or (ii) the ability of such Party to consummate the transactions contemplated by the Transaction Agreements and to timely perform its obligations hereunder and thereunder; *provided* that in determining whether a Material Adverse Effect has occurred under clause (i) above, there shall be excluded any events, facts, circumstances or occurrences relating to or arising in connection with (a) changes in generally accepted accounting principles that are generally applicable to comparable companies (to the extent not materially disproportionately affecting such Party and its Subsidiaries), (b) changes in general economic and market conditions and capital market conditions or changes affecting any of the industries in which such Party and its Subsidiaries operate generally (in each case to the extent not materially disproportionately affecting such Party and its Subsidiaries),

(c) the announcement or disclosure of this Agreement or any other Transaction Agreement or the consummation of the transactions hereunder or thereunder, or any act or omission required or specifically permitted by this Agreement and/or any other Transaction Agreement; (d) any pandemic (including the COVID-19 pandemic (or any mutation or variation of the underlying virus thereof or related health condition)), earthquake, typhoon, tornado or other natural disaster or similar force majeure event, (e) in the case of the Company, any failure to meet any internal or public projections, forecasts, or guidance, or

(f) in the case of the Company, any change in the Company's stock price or trading volume, in and of itself; *provided* further that the underlying causes giving rise to or contributing to any such change or failure under sub-clause (e) or (f) shall not be excluded in determining whether a Material Adverse Effect has occurred except to the extent such underlying causes are otherwise excluded pursuant to any of sub-clauses (a) through (d).

"Nasdaq" means The Nasdaq Stock Market.

"Ordinary Shares" means the ordinary shares, par value US\$0.00001 per share, in the share capital of the Company.

"Parties" means, collectively, the Company and the Purchasers.

"Person" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization.

"Purchaser Fundamental Warranties" means any representations and warranties of the Purchasers contained in Section 4.02(a) to Section 4.02(e).

"SEC" means the Securities and Exchange Commission of the United States of America or any other federal agency at the time administering the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended, and all of the rules and regulations promulgated thereunder.

"Subsidiary" of a Party means any organization or entity, whether incorporated or unincorporated, which is controlled by such Party and, for the avoidance of doubt, the Subsidiaries of a Party shall include any variable interest entity over which such Party or any of its Subsidiaries effects control pursuant to contractual arrangements and which is consolidated with such Party in accordance with generally accepted accounting principles applicable to such Party and any Subsidiaries of such variable interest entity.

"Subject Securities" means, collectively, the Subscription Shares and the Warrants.

"Transaction Agreements" means, collectively, this Agreement, the Warrants and each of the other agreements and documents entered into or delivered by the parties hereto or their respective Affiliates in connection with the transactions contemplated by this Agreement.

"Trading Market" means any of the following markets or exchanges on which the Ordinary Shares are listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTCQB or the OTC Markets (or any successors to any of the foregoing).

"Warrants" means the warrants and any replacement warrants to purchase Ordinary Shares of the Company at the exercise price per Ordinary Share provided therein to be issued by the Company to the Purchasers on the Closing Date in the form attached hereto as Exhibit A.

"Warrant Shares" means the Ordinary Shares that will be issued upon exercise of the Warrants pursuant to the terms set forth in the form attached hereto as Exhibit A.

(b) Each of the following terms is defined in the Section set forth opposite such term:

Agreement	Preamble
Bankruptcy and Equity Exception	Section 4.01(b)
Closing	Section 2.02(a)
Closing Date	Section 2.02(a)
Company	Preamble
Company Indemnitees	Section 6.01(b)
Deductible	Section 6.03(a)
Encumbrances	Section 4.01(d)
Indemnified Party	Section 6.02(a)
Indemnifying Party	Section 6.02(a)
Losses	Section 6.01(a)
Per Unit Purchase Price	Section 2.01
Purchase Price	Section 2.01
Purchaser	Preamble
Purchasers	Preamble
Subscription Shares	Section 2.01
Third Party Claim	Section 6.02(b)

(c) In this Agreement, except to the extent otherwise provided or that the context otherwise requires:

(i) The words "Party" and "Parties" shall be construed to mean a party or the parties to this Agreement, and any reference to a party to this Agreement or any other agreement or document contemplated hereby shall include such party's successors and permitted assigns.

(ii) When a reference is made in this Agreement to an Article, Section, Exhibit, Schedule or clause, such reference is to an Article, Section, Exhibit, Schedule or clause of this Agreement.

(iii) The headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement.

- (iv) Whenever the words "include," "includes" or "including" are used in this Agreement, they are deemed to be followed by the words "without limitation."
- (v) The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement.
- (vi) All terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein.
- (vii) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.
- (viii) The use of "or" is not intended to be exclusive unless expressly indicated otherwise.
- (ix) The term "\$" or "US\$" means United States Dollars.
- (x) The word "will" shall be construed to have the same meaning and effect as the word "shall."
- (xi) References to "law," "laws" or to a particular statute or law shall be deemed also to include any and all Applicable Law.
- (xii) A reference to any legislation or to any provision of any legislation shall include any modification, amendment, re-enactment thereof, any legislative provision substituted therefor and all rules, regulations and statutory instruments issued or related to such legislation.
- (xiii) References herein to any gender include the other gender.
- (xiv) The parties hereto have each participated in the negotiation and drafting of this Agreement and if any ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or burdening any Party by virtue of the authorship of any of the provisions in this Agreement or any interim drafts thereof.

**ARTICLE II**  
**PURCHASE AND SALE; CLOSING**

Section 2.01     Purchase and Sale of Securities.

Upon the terms and subject to the conditions of this Agreement and subject to Applicable Laws, at Closing (as defined below), each Purchaser hereby agrees to subscribe for and purchase, and the Company hereby agrees to issue and sell to each Purchaser, the number of units, each consisting of one Ordinary Share and three warrants with each warrant entitling the holder to purchase one (1) Ordinary Share, at the Per Unit Purchase Price defined below, as set forth opposite such Purchaser's name on the signature page (with respect to such Purchaser, its "Subscription Shares" and "Warrants") for an aggregate subscription price as set forth on such Purchaser's signature page (with respect to such Purchaser, its "Purchase Price"). The Per Unit Purchase Price shall be \$[0.0013], equal to sixty percent (60%) of the average closing price per ADR during a period of twenty (20) consecutive Trading Days immediately before the date of this Agreement (included) divided by three hundred sixty (360), with the closing price of the American Depositary Receipts ("ADRs") reported by Bloomberg L.P. For the purpose of this Agreement, a "Trading Day" shall mean a day on which trading in the Ordinary Shares or ADRs generally occurs on the Nasdaq or, if the Ordinary Shares or ADRs are not then listed on the Nasdaq, on other principal U.S. national or regional securities exchange on which the Ordinary Shares or ADRs are then listed or, if the Ordinary Shares or ADRs are not then listed on a U.S. national or regional securities exchange, on other principal market on which the Ordinary Shares or ADRs are then traded; provided that if the Ordinary Shares or ADRs are not so listed or traded, "Trading Day" means a Business Day.

Section 2.02     Closing.

(a)     Closing. Subject to satisfaction or, to the extent permissible, waiver by the Party or Parties entitled to the benefit of the relevant Conditions, of all the Conditions (other than Conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or, to the extent permissible, waiver of those Conditions at Closing), the closing of the sale and purchase of the Subject Securities pursuant to this Section 2.02(a) (the "Closing") shall take place remotely by electronic means (i) within ten (10) Business Days after the date on which the Conditions (other than the Conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or, to the extent permissible, waiver of those Conditions at the Closing) are satisfied, or (ii) on any other date as may be agreed by the Purchasers and the Company in writing (the "Closing Date"); *provided* that the Closing Date shall be no later than November 15, 2022.

(b)     Payment and Delivery. At Closing,

- (i) each Purchaser shall deliver to the Company the Purchase Price in the U.S. Dollars set forth on the Purchaser's signature page pursuant to the wiring instructions set forth below.

Wiring instruction to the Company:

[ ]

- (ii) the Company shall deliver to each Purchaser:

- (1) a copy of the duly executed share certificate representing the Subscription Shares registered in the name of such Purchaser (the original copy of which shall be delivered to the Purchasers as soon as practicable following the Closing Date);

(2) an updated certified true copy of the register of members of the Company evidencing the ownership of the Subscription Shares by such Purchaser; and

(3) a copy of the Warrants in the form attached hereto as Exhibit A, duly executed by the Company.

(c) Restrictive Legend. Each certificate representing Subscription Shares shall be endorsed with the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED WITHIN THE UNITED STATES IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR TO ANY "U.S. PERSON," AS SUCH TERM IS DEFINED IN REGULATIONS UNDER THE ACT, DURING THE 40 DAYS FOLLOWING ACQUISITION OF THE SECURITY BY THE HOLDER THEREOF. ANY ATTEMPT TO TRANSFER, SELL, PLEDGE OR HYPOTHECATE THIS SECURITY IN VIOLATION OF THESE RESTRICTIONS SHALL BE VOID.

### **ARTICLE III CONDITIONS TO CLOSING**

#### **Section 3.01 Conditions to Obligations of All Parties.**

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, injunction, order or decree (in each case, whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the transactions contemplated by the Transaction Agreements.

(b) No action, suit, proceeding or investigation shall have been instituted or threatened by a Governmental Authority or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the transactions contemplated by the Transaction Agreements.

Section 3.02 Conditions to Obligations of Purchasers. The obligations of each Purchaser to subscribe for, purchase and pay for the Subject Securities as contemplated by this Agreement are subject to the satisfaction, on or before the Closing Date, of the following conditions, any of which may be waived in writing by such Purchaser in its sole discretion:

(a) The Company Fundamental Warranties shall have been true and correct in all respects on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date). Other representations and warranties of the Company contained in Section 4.01 of this Agreement shall have been true and correct in all material respects (or, if qualified by "materiality," "Material Adverse Effect" or similar qualifications, true and correct in all respects) on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date).



(b) The Company shall have duly executed and delivered or shall have caused to be duly executed and delivered each Transaction Agreement to which it is a party to the Purchaser at or prior to Closing.

Section 3.03 Conditions to Obligations of the Company. The obligations of the Company to issue and sell the Subject Securities to each Purchaser as contemplated by this Agreement are subject to the satisfaction, on or before the Closing Date, of each of the following conditions with respect to such Purchaser, any of which may be waived in writing by the Company in its sole discretion:

(a) The Purchaser Fundamental Warranties shall have been true and correct in all respects on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date). Other representations and warranties of the Purchaser contained in Section 4.02 of this Agreement shall have been true and correct in all material respects (or, if qualified by "materiality," "Material Adverse Effect" or similar qualifications, true and correct in all respects) on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date).

(b) Each Purchaser shall have performed and complied with all, and not be in breach or default under any, agreements, covenants, conditions and obligations contained in this Agreement that are required to be performed or complied with on or before the Closing Date, including making the payments of the Purchase Price to the Company.

(c) Each Purchaser shall have duly executed and delivered each Transaction Agreement to which it is a party to the Company at or prior to Closing.

#### **ARTICLE IV REPRESENTATIONS AND WARRANTIES**

Section 4.01 Representations and Warranties of the Company. The Company hereby represents and warrants to each Purchaser that, except as set forth in the Company SEC Documents:

(a) Due Formation. The Company is an exempted company, duly incorporated, validly existing and in good standing under the laws of the Cayman Islands.

(b) Authority: Valid Agreement. The Company has all requisite legal power and authority to execute, deliver and perform its obligations under the Transaction Agreements to which it is a party and each other agreement, certificate, document and instrument to be executed by the Company pursuant to this Agreement and each other Transaction Agreement. The execution, delivery and performance by the Company of this Agreement and each other Transaction Agreement to which it is a party and the performance by the Company of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action on the part of the Company. This Agreement has been, and each other Transaction Agreement to which it is a party will be duly executed and delivered by the Company and, assuming due authorization, execution and delivery by the relevant Purchaser(s), constitutes (or, when executed and delivered in accordance herewith will constitute) a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of law or a court of equity, and by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar law affecting creditors' rights and remedies generally (the "Bankruptcy and Equity Exception").

(c) Capitalization. The authorized capital stock of the Company is US\$250,000 divided into 25,000,000,000 Ordinary Shares with a par value of US\$0.00001 each. All issued and outstanding Ordinary Shares have been duly authorized and validly issued and are fully paid and non-assessable, are free of preemptive rights, were issued in compliance with applicable U.S. and other applicable securities laws and were not issued in violation of any preemptive right, resale right, right of first refusal, or similar right.

(d) Valid Issuance. The Subject Securities have been duly and validly authorized for issuance by the Company. The Ordinary Shares that will be issued upon exercise of the Warrants pursuant to the terms therein (the "Warrant Shares") and the Subscription Shares, when issued and delivered by the Company to the Purchasers and registered in the register of members of the Company will (i) be duly and validly issued, fully paid and non-assessable, (ii) rank *pari passu* with, and carry the same rights in all respects as, the other Ordinary Shares then in issue, (iii) be entitled to all dividends and other distributions declared, paid or made thereon, and (iv) free and clear of any pledge, mortgage, security interest, encumbrance, lien, charge, assessment, right of first refusal, right of pre-emption, third party right or interest, claim or restriction of any kind or nature, except for restrictions arising under the Securities Act or as disclosed in the Company SEC Documents or created by virtue of the transactions under this Agreement (collectively, the "Encumbrances").

(e) Non-contravention. None of the execution and the delivery of this Agreement and other Transaction Agreements, nor the consummation of the transactions contemplated hereby or thereby, will (i) violate any provision of the organizational documents of the Company, (ii) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental entity or court to which the Company is subject, or (iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of any Encumbrances under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound or to which any of the Company's or any of its Subsidiaries' assets are subject, except, in the case of (ii) and (iii) above, for such conflicts, breach, defaults, rights or violations, which would not reasonably be expected to result in a Material Adverse Effect. There is no action, suit or proceeding, pending or, to the knowledge of the Company, threatened against the Company that questions the validity of the Transaction Agreements or the right of the Company to enter into this Agreement or to consummate the transactions contemplated hereby or thereby.

(f) Consents and Approvals. None of the execution and delivery by the Company of this Agreement or any Transaction Agreement, nor the consummation by the Company of any of the transactions contemplated hereby or thereby, nor the performance by the Company of this Agreement or other Transaction Agreements in accordance with their respective terms requires the consent, approval, order or authorization of, or registration with, or the giving notice to, any governmental or public body or authority or any third party, except such as have been or will have been obtained, made or given on or prior to the Closing Date and except for any filing or notification required to be made with the SEC or the Nasdaq regarding the issuance of the Subject Securities.

(g) Reserved.

(h) Litigation. Except as disclosed in the Company SEC Documents and to the knowledge of the Company there are no pending or threatened actions, claims, demands, investigations, examinations, indictments, litigations, suits or other criminal, civil or administrative or investigative proceedings before or by any Governmental Authority or by any other person against the Company or any of its Subsidiaries, which would, individually or in the aggregate, have a Material Adverse Effect.

(i) Reserved.

(j) No Additional Representations. The Company makes no representations or warranties as to any matter whatsoever except as expressly set forth in this Agreement or in any certificate delivered by the Company to the Purchaser in accordance with the terms thereof.

Section 4.02 Representations and Warranties of Each Purchaser. Each Purchaser hereby represents and warrants as of the date hereof and as of the Closing Dates to the Company as follows (unless as of a specific date therein):

(a) Organization; Authority. Each Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Agreements and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Agreements and performance by each Purchaser of the transactions contemplated by the Transaction Agreements have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of each Purchaser. Each Transaction Agreement to which it is a party has been duly executed by each Purchaser, and when delivered by each Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of each Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account. Each Purchaser is acquiring the Subject Securities as principal for its own account and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Subject Securities (this representation and warranty not limiting each Purchaser's right to sell the Subject Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). Each Purchaser is acquiring the Subject Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. Such Purchaser is not a "U.S. person" as defined in Rule 902 of Regulation S. Such Purchaser has not been subject to any "directed selling efforts" within the meaning of Rule 903 of Regulation S under the Securities Act in connection with its execution of this Agreement. At the time each Purchaser was offered the Securities, it was, and as of the date hereof it is, either: (i) an "accredited investor" as defined in Rule 501 under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act.

(d) Experience of Each Purchaser. Each Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Subject Securities, and has so evaluated the merits and risks of such investment. Each Purchaser is able to bear the economic risk of an investment in the Subject Securities and, at the present time, is able to afford a complete loss of such investment.

(e) Access to Information. Each Purchaser acknowledges that it has had the opportunity to review the Transaction Agreements (including all exhibits and schedules thereto) and the Company SEC Documents and has been afforded, (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Subject Securities and the merits and risks of investing in the Subject Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

## ARTICLE V OTHER AGREEMENTS OF THE PARTIES

Section 5.01 Reserved.

Section 5.02 Distribution Compliance Period. Each Purchaser agrees not to resell, pledge or transfer any of its Subscription Shares within the United States or to any U.S. Person, as each of those terms is defined in Regulation S, during the forty (40) days following its Closing Date.

Section 5.03 Further Assurances. From the date of this Agreement until the Closing Date, the Company and such Purchaser shall use their reasonable best efforts to fulfill or obtain the fulfillment of the conditions precedent to the consummation of the transactions contemplated hereby with respect to such Purchaser.

Section 5.04 Reservation of Shares. The Company shall ensure that it has sufficient number of duly authorized Ordinary Shares to comply with its obligations to issue the Subscription Shares and the Warrant Shares pursuant to the terms of the Transaction Agreements.

Section 5.05 Reserved.

Section 5.06 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

Section 5.07 Securities Laws Disclosure: Publicity. Within the time required by the Exchange Act, the Company shall file a Current Report on Form 6-K, including the Transaction Agreements as exhibits thereto, with the SEC.

Section 5.08 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that neither it, nor any other Person acting on its behalf, will provide the Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information.

## ARTICLE VI INDEMNIFICATION

Section 6.01 Indemnification.

(a) Indemnification by the Company. From and after the Closing Date and subject to Section 6.03, the Company shall indemnify and hold each Purchaser harmless from and against any losses, claims, damages, liabilities, judgments, fines, obligations, cost and expenses, including but not limited to any investigative, legal and other expenses (collectively, "Losses") incurred by such Purchaser as a result of or arising out of: (i) breach of any representation or warranty of the Company contained in Section 4.01; or (ii) violation or nonperformance, partial or total, of any covenant or agreement of the Company contained in this Agreement.

(b) Indemnification by the Purchasers. From and after the Closing Date and subject to Section 6.03, each Purchaser shall indemnify and hold the Company, its Affiliates and their respective directors, officers, agents, successors and assigns (the "Company Indemnitees") harmless from and against any Losses incurred by any Company Indemnitee as a result of or arising out of: (i) breach of any representation or warranty of such Purchaser contained in Section 4.02; or (ii) violation or nonperformance, partial or total, of any covenant or agreement of such Purchaser contained in this Agreement.

(c) The amount of any and all Losses under this Article VI shall be determined net of any insurance or other indemnification proceeds received by the Indemnified Party or its Affiliates in connection with the facts giving rise to the right of indemnification and any increased insurance costs resulting from such claim, including any retroactive or prospective premium adjustments associated with such coverage, as such amounts are determined in accordance with those policies and programs generally applicable from time to time, and only after first applying any available insurance to the portion of a Loss that is not indemnified hereunder.

Section 6.02 Procedures Relating to Indemnification.

(a) Any party seeking indemnification under Section 6.01 (an "Indemnified Party") shall promptly give the Party from whom indemnification is being sought (an "Indemnifying Party") notice of any matter which such Indemnified Party has determined has given or would reasonably be expected to give rise to a right of indemnification under this Agreement stating in reasonable detail the factual basis of the claim to the extent known by the Indemnified Party, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises; *provided* that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VI except to the extent the Indemnifying Party is materially prejudiced by such failure. With respect to any recovery or indemnification sought by an Indemnified Party from the Indemnifying Party that does not involve a Third Party Claim, if the Indemnifying Party does not notify the Indemnified Party within thirty (30) days from its receipt of the notice from the Indemnified Party that the Indemnifying Party disputes such claim, the Indemnifying Party shall be deemed to have accepted and agreed with such claim.

(b) If an Indemnified Party shall receive notice of any claim or demand asserted by a third party (each, a "Third Party Claim") against it or which may give rise to a claim for Loss under this Article VI, within thirty (30) days of the receipt of such notice, the Indemnified Party shall give the Indemnifying Party notice of such Third Party Claim; *provided* that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VI except to the extent that the Indemnifying Party is materially prejudiced by such failure. If the Indemnifying Party acknowledges in writing its obligation to indemnify the Indemnified Party hereunder against any Losses that may result from such Third Party Claim, then the Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Indemnified Party within fifteen (15) days of the receipt of such notice from the Indemnified Party; *provided* that if there exists or is reasonably likely to exist a conflict of interest that would make it inappropriate in the judgment of the Indemnified Party in its sole and absolute discretion for the same counsel to represent both the Indemnified Party and the Indemnifying Party, then the Indemnified Party shall be entitled to retain its own counsel in each jurisdiction for which the Indemnified Party determines counsel is required, at the Indemnifying Party's expense. In the event that the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party. No such Third Party Claim may be settled by the Indemnifying Party without the prior written consent of the Indemnified Party.

breach:

(a) In no event shall any Indemnified Party be entitled to indemnification for any Losses arising from a claim for indemnification pursuant to Section 6.01(a)(i) (other than Company Fundamental Warranties) or 6.01(b)(i) (other than Purchaser Fundamental Warranties) unless and until the aggregate amount of all Losses suffered or incurred by the Indemnified Party thereunder exceeds five percent (5%) of the Purchase Price (in the event the Indemnified Party is a Company Indemnitee) or five percent (5%) of the Purchase Price (in the event the Indemnified Party is a Purchaser), as applicable (the "Deductible"), in which case the Indemnifying Party shall be liable only for Losses in excess of the Deductible.

(b) the maximum aggregate liabilities of the Indemnifying Party in respect of Losses suffered by the Indemnified Parties pursuant to Section 6.01(a)(i) (other than Company Fundamental Warranties) or 6.01(b)(i) (other than Purchaser Fundamental Warranties) shall not in any event be greater than the Purchase Price (in the event the Indemnified Party is a Purchaser) or the Purchase Price (in the event the Indemnified Party is a Company Indemnitee), as applicable.

(c) Reserved.

## **ARTICLE VII MISCELLANEOUS**

Section 7.01 Venue. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Agreements (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state or federal courts sitting in the Borough of Manhattan, New York, New York. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Borough of Manhattan, New York, New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Agreements), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding.

Section 7.02 Governing Law. This Agreement and all questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed in accordance with the laws of State of New York without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the State of New York to the rights and duties of the Parties hereunder.

Section 7.03 No Third Party Beneficiaries. A person who is not a party to this Agreement has no right to enforce any term of this Agreement.

Section 7.04 Amendment. This Agreement shall not be amended, changed or modified, except by another agreement in writing executed by the Parties hereto.

Section 7.05 Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, each of the parties and their respective heirs, successors and permitted assigns and legal representatives.

Section 7.06 Assignment. Neither this Agreement nor any of the rights, duties or obligations hereunder may be assigned, as between each Purchaser and the Company, without the express written consent of such Purchaser and the Company. Any purported assignment in violation of the foregoing sentence shall be null and void.

Section 7.07 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

If to the Company:

Mercurity Fintech Holding Inc.

Address: Room 1215, FIYTA Technology Building, Gaoxin South, Road One, Nanshan District, Shenzhen, 518000, Guangdong Province,  
People's Republic of China  
Email: qbit@mercurityfintech.com  
Attention: Shi Qiu

With a copy to the Company's Counsel at (which shall not constitute notice):

Address: 1185 Avenue of the Americas, 31st Floor, New York, New York 10036  
Email: hlou@SRF.LAW  
Attention: Huan Lou

If to the Purchaser(s): see each Purchaser's signature page.

Any Party may change its address for purposes of this Section 7.07 by giving the other Parties hereto written notice of the new address in the manner set forth above. For the avoidance of doubt, only notice delivered to the address and person of the Parties to this Agreement shall constitute effective notice to such Party for the purposes of this Agreement.



Section 7.08 Entire Agreement. This Agreement and the other Transaction Agreements including the schedules and exhibits hereto and thereto constitutes the entire understanding and agreement between the Parties with respect to the matters covered hereby and thereby, and all prior agreements and understandings, oral or in writing, if any, between the Parties with respect to the matters covered hereby and thereby are merged and superseded by this Agreement and the other Transaction Agreements.

Section 7.09 Severability. If any provisions of this Agreement shall be adjudicated to be illegal, invalid or unenforceable in any action or proceeding whether in its entirety or in any portion, then such provision shall be deemed amended, if possible, or deleted, as the case may be, from the Agreement in order to render the remainder of the Agreement and any provision thereof both valid and enforceable, and all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

Section 7.10 Fees and Expenses. The expenses incurred in connection with the negotiation, preparation and execution of this Agreement and other Transaction Agreements and the transactions contemplated hereby and thereby, including fees and expenses of attorneys, accountants, consultants and financial advisors, shall be the responsibility of the Party incurring such expenses.

Section 7.11 Reserved.

Section 7.12 Reserved.

Section 7.13 Termination.

(a) This Agreement shall automatically terminate as between the Company and each Purchaser upon the earliest to occur of:

(i) the written consent of each of the Company and such Purchaser; or

(ii) by the Company or such Purchaser in the event that any Governmental Authority shall have issued a judgment or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by the Transaction Agreements and such judgment or other action shall have become final and non-appealable.

(b) Upon the termination of this Agreement, this Agreement will have no further force or effect, except for the provisions of Sections 7.02 and 7.07 hereof, which shall survive any termination under this Section 7.13; *provided* that neither the Company nor the Purchaser shall be relieved or released from any liabilities or damages arising out of (i) fraud or (ii) any breach of this Agreement prior to such termination.

Section 7.14 Headings. The headings of the various articles and sections of this Agreement are inserted merely for the purpose of convenience and do not expressly or by implication limit, define or extend the specific terms of the section so designated.

Section 7.15 Execution in Counterparts. For the convenience of the Parties and to facilitate execution, this Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. Signatures in the form of facsimile or electronically imaged "PDF" shall be deemed to be original signatures for all purposes hereunder.

Section 7.16 Reserved.

Section 7.17 Waiver. No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy.

Section 7.18 Adjustment of Share Numbers. If there is a subdivision, split, stock dividend, combination, reclassification or similar event with respect to any of the ordinary shares referred to in this Agreement, then, in any such event, the numbers and types of shares referred to in this Agreement shall be equitably adjusted as appropriate to the number and types of shares of such stock that a holder of such number of shares of such stock would own or be entitled to receive as a result of such event of such holder had held such number of shares immediately prior to the record date for, or effectiveness of, such event.

*[Signature pages follow]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first above written.

**Mercurity Fintech Holding Inc.**

By: /s/  
Name: Shi Qiu  
Title: Chief Executive Officer

*[Signature Page to Securities Purchase Agreement]*

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*[Signature Page to Securities Purchase Agreement]*

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*[Signature Page to Securities Purchase Agreement]*

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*[Signature Page to Securities Purchase Agreement]*

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**EXHIBIT A**  
**ORDINARY SHARE PURCHASE WARRANTS**

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Warrant No.: [        ]  
Date of Issuance: November [    ], 2022 (the "**Issuance Date**")

**WARRANT TO PURCHASE ORDINARY SHARES  
OF  
MERCURITY FINTECH HOLDING INC.**

This Warrant (the "**Warrant**") certifies that, for value received, [    ] and/or such entity that such person may designate in accordance with the Securities Purchase Agreement (as defined below) shall collectively be referred to as the "**Holder**") is entitled to purchase [        ] ordinary shares, with par value US\$0.00001 per share (the "**Ordinary Shares**") of Mercury Fintech Holding Inc., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "**Company**"), on the terms set forth herein.

This Warrant is issued pursuant to a Securities Purchase Agreement (the "**Purchase Agreement**") dated as of November 11, 2022 and entered into among the Company, the Holder and certain other parties thereto. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Purchase Agreement.

**1. Purchase of Shares.** Subject to the terms and conditions hereinafter set forth, the Company hereby grants the Holder the right to purchase from the Company up to [    ] Ordinary Shares (the "**Warrant Shares**"), equal to 100% of the amount of the Ordinary Shares that the Holder has purchased pursuant to the Purchase Agreement, at the Exercise Price (as defined below), subject to adjustments and conditions as provided herein.

**2. Exercise.**

**(a) Exercise Price.** Unless otherwise mutually agreed by the Holder and the Company, and subject to adjustments and conditions as provided herein, the per share purchase price for the Warrant Shares shall be US\$ 1/180th per ordinary share subject to adjustments specified in Section 4 of this Warrant (the "**Exercise Price**").

Notwithstanding any adjustment made in accordance with this Warrant or anything to the contrary in this Warrant, the aggregate Exercise Price shall in no event be less than the aggregate par value of the Warrant Shares at the time of exercise (the "**Minimum Consideration**").

**(b) Exercise Period.** Unless otherwise agreed by the Holder and the Company, this Warrant is exercisable, in whole but not in part, by the Holder for a period of three years (the "**Exercise Period**") commencing on the Issuance Date, provided that i) the closing price of the American Depositary Receipts (the "ADRs"), each representing 360 ordinary shares, is two dollars (\$2.00) or more on each day during a period of at least twenty (20) consecutive Trading Days after not including the Issuance Date, if and with the closing price of the ADRs is being reported by Bloomberg L.P. and the ADRs are



traded on a U.S. national or regional securities exchange, or ii) the closing price of the ordinary shares is one/one hundred and eighth dollars (\$1/180th) or more on each day during a period of at least twenty (20) consecutive Trading Days after not including the Issuance Date, if and with the closing price of the ordinary shares is being reported by Bloomberg L.P. and the ordinary shares are traded on a U.S. national or regional securities exchange. For the purpose of this Warrant, "**Trading Day**" shall mean a day on which trading in the Ordinary Shares or ADRs generally occurs on the Nasdaq or, if the Ordinary Shares or ADRs are not then listed on the Nasdaq, on other principal U.S. national or regional securities exchange on which the Ordinary Shares or ADRs are then listed or, if the Ordinary Shares or ADRs are not then listed on a U.S. national or regional securities exchange, on other principal market on which the Ordinary Shares or ADRs are then traded; *provided* that if the Ordinary Shares or ADRs are not so listed or traded, "Trading Day" means a Business Day.

(c) **Form of Payment.** Subject to Section 2(a), the aggregate Exercise Price for the Warrant Shares may be settled no later than the close of business on the fifth (5<sup>th</sup>) Business Day following the receipt of the Notice of Exercise (as defined below) by the Company from the Holder, by wire transfer of immediately available funds in U.S. dollars to such bank account designated in writing by the Company.

(d) **Issuance of Certificates; Acknowledgement.** The exercise of this Warrant shall be effected by the delivery of this Warrant, together with a duly executed copy of the Notice of Exercise in the form attached hereto as Exhibit A, to the Company (the "**Notice of Exercise**") and the payment of the Exercise price in accordance with Section 2(c). The Company agrees that the Warrant Shares purchased under this Warrant shall be and are deemed to be issued to the Holder as the record owner of such shares as of the close of business on the date the aggregate Exercise Price for the Warrant Shares is paid to the Company. The Company shall deliver to the Holder within five (5) Business Days after its receipt of the executed Notice of Exercise: (i) a duly executed share certificate representing the Warrant Shares, and (ii) a certified true copy of the updated register of members of the Company reflecting the Holder's ownership of the Warrant Shares, provided, however, that the aggregate Exercise Price shall be paid in accordance with Section 2(c).

3. **Reservation of Shares.** The Company covenants and agrees that all Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance and after payment of the aggregate Exercise Price in accordance with Section 2(c), be duly authorized, validly issued, fully paid and non-assessable and free from all preemptive rights of any shareholder and free of all taxes, liens and charges with respect to the issue thereof, except as provided under Applicable Laws, this

Warrant and the memorandum and articles of association of the Company then in effect. The Company further covenants and agrees that the Company will, at all times during the Exercise Period, have authorized and reserved a sufficient number of Ordinary Shares to provide for the exercise of the rights represented by this Warrant.

**4. Adjustment of Exercise Price and Warrant.** The Exercise Price and/or Warrant shall be subject to adjustment from time to time as follows:

- (a) Share Splits, Share Subdivisions, Dividends or Combinations.** In the event the Company shall at any time, or from time to time, effect a split or subdivision of the outstanding Ordinary Shares, the Exercise Price of this Warrant shall be proportionally decreased and the number of Ordinary Shares issuable upon exercise of this Warrant (or any shares or other securities at the time issuable upon exercise of this Warrant) shall be proportionally increased to reflect any such share split or subdivision of the Ordinary Shares. Conversely, if the Company shall at any time, or from time to time, combine the outstanding Ordinary Shares into a smaller number of shares, the Exercise Price of this Warrant shall be proportionally increased and the number of Ordinary Shares issuable upon exercise of this Warrant (or any shares or other securities at the time issuable upon exercise of this Warrant) shall be proportionally decreased to reflect any such combination of the Ordinary Shares. Any adjustment under this paragraph shall become effective at the close of business on the date the share split, subdivision or combination becomes effective.
- (b) Dividends or Distributions of Shares or Other Securities or Property.** In the event the Company shall make or issue, or shall fix a record date for the determination of eligible holders entitled to receive, a dividend or other distribution with respect to the Ordinary Shares (or any shares or other securities at the time issuable upon exercise of this Warrant) payable in (i) shares or other securities of the Company; or (ii) assets (excluding cash dividends paid or payable solely out of retained earnings), then, in each such case, the Holder on exercise hereof at any time after the consummation, effective date or record date of such dividend or other distribution, shall not be entitled to receive, in addition to the Ordinary Shares (or such other shares or securities) issuable on such exercise prior to such date, the additional shares or other securities of the Company or such other assets during such period giving effect to all adjustments called for by this Section 4(b).
- (c) Reclassification.** If the Company, by reclassification of shares or otherwise, shall change any of the shares as to which purchase rights under this Warrant exist into the same or a different number of shares of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of shares as would have been issuable as the result of such change with respect to the shares that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Exercise Price therefor shall be equitably adjusted, all subject to further adjustment as provided in this Section 4.

(d) **Capital Reorganization, Merger or Consolidation.** In case of any reorganization of the share capital of the Company (other than a combination, reclassification or subdivision of shares otherwise provided for herein), or any merger or consolidation of the Company with or into another corporation, or the sale or transfer of all or substantially all the assets of the Company then, and in each such case, as a part of such reorganization, merger, consolidation, sale or transfer, lawful provision shall be made so that the Holder shall thereafter be entitled to receive, upon exercise of this Warrant, during the period specified herein and upon payment in accordance with Section 2(c), the number of shares or other securities or property of the successor corporation resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the shares deliverable upon exercise of this Warrant would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Warrant had been exercised immediately before such reorganization, merger, consolidation, sale or transfer, all subject to further adjustment as provided in this Section 4. The foregoing provisions of this Section 4(d) shall similarly apply to successive reorganizations, consolidations, mergers, sales and transfers of the shares or securities of any other corporation that are at the time receivable upon the exercise of this Warrant. In all events, appropriate adjustment (as determined in good faith by the Company's board of directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the transaction, to the end that the provisions of this Warrant shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant.

(e) **Notice of Adjustment.** The Company shall promptly give the Holder of this Warrant written notice of each adjustment or readjustment of the Exercise Price or the number of Warrant Shares or other securities issuable upon exercise of this Warrant. The notice shall describe the adjustment or readjustment and show in reasonable detail the facts on which the adjustment or readjustment is based.

5. **Transfers of Warrant.** This Warrant and all rights and obligations hereunder may not be transferred or assigned in whole or in part by the Holder (subject to compliance with the Securities Act, other applicable securities laws and constitutional documents of the Company) without the prior written consent of the Company.

6. **Loss or Mutilation.** Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the event of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the event of any such mutilation upon surrender and cancellation of such Warrant, the Company will execute and deliver a new Warrant of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant.

7. **Amendment and Waiver.** Any term of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

**8. Successors and Assigns.** This Warrant shall be binding upon and inure to the benefit of the Company, the Holder and their respective successors and permitted assigns.

**9. Notices.** Any notice required or permitted pursuant to this Warrant shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to the address as shown below (or at such other address as such party may designate by fifteen (15) days' advance written notice to the Company or Holder, as applicable, given in accordance with this Section 9). Where such notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a confirmation of delivery, and to have been effected at the expiration of sixty (60) hours after the letter containing the same is sent as aforesaid. Where a notice is sent by facsimile, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as provided above.

If notice to the Company:

Mercurity Fintech Holding Inc.

Address: Room 1215, FIYTA Technology Building, Gaoxin South, Road One, Nanshan District, Shenzhen,  
518000, Guangdong Province, People's Republic of China

Email: qbit@mercurityfintech.com

Attention: Shi Qiu

With a copy to the Company's Counsel at (which shall not constitute notice):

Address: 1185 Avenue of the Americas, 31st Floor, New York, New York 10036

Email: hlou@SRF.LAW

Attention: Huan Lou

If notice to the Holder: see the Purchase Agreement

**10. Headings.** The section and subsection headings of this Warrant are inserted for convenience only and shall not constitute a part of this Warrant in construing or interpreting any provision hereof.

**11. Governing Law.** This Warrant shall be governed by and construed in accordance with the laws of the State of New York without giving effect to any choice or conflict of law provision or rule thereof.

**12. Venue.** Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Warrant and any other Transaction Agreements (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state or federal courts sitting in the Borough of Manhattan, New York, New York. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Borough of Manhattan, New York, New York for the adjudication of any dispute hereunder or in

connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Agreements), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding.

**13. Interpretation.** For all purposes of this Warrant, except as otherwise expressly provided, (i) the term "or" is not exclusive; (ii) the terms defined herein and any capitalized terms used herein without definition shall include the plural as well as the singular, (iii) unless otherwise provided for, all references in this Warrant to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the body of this Warrant, (iv) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Warrant as a whole and not to any particular Section or other subdivision, and (vi) "include," "including," "are inclusive of" and similar expressions are not expressions of limitation and shall be construed as if followed by the expression "without limitation".

**14. No Presumption.** The parties acknowledge that any applicable law that would require interpretation of any claimed ambiguities in this Warrant against the party that drafted it has no application and is expressly waived. If any claim is made by a party relating to any conflict, omission or ambiguity in the provisions of this Warrant, no presumption or burden of proof or persuasion will be implied because this Warrant was prepared by or at the request of any party or its counsel.

**15. Counterparts.** This Warrant may be executed in two or more counterparts and may be delivered by electronic PDF or facsimile transmission, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

**16. Severability.** If one or more provisions of this Warrant are held to be unenforceable under any applicable law, such provision shall be excluded from this Warrant and the balance of this Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

**17. Entire Agreement.** This Agreement together with the other instruments and agreements referenced herein constitutes the entire agreement between the Parties with respect to the subject matter hereof.

*[The remainder of this page has been intentionally left blank.]*

IN WITNESS WHEREOF, the Company caused this Warrant to be executed by a director thereunto duly authorized.

**COMPANY:**

**Mercurity Fintech Holding Inc.**

By: /s/

Name: Shi Qiu

Title: Chief Executive Officer

*[Signature Page to Warrant]*

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**SECURITIES PURCHASE AGREEMENT**

Dated November 30, 2022

among

**Mercurity Fintech Holding Inc.**

and

**The Purchasers Set Forth on the Signature Pages**

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## SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (this "Agreement"), dated November 30, 2022 is entered into by and among (i) Mercurity Fintech Holding Inc., an exempted company with limited liability organized and existing under the laws of the Cayman Islands (the "Company"), and (ii) each of the Persons whose name is set forth on the signature page hereto (the "Purchasers" and each a "Purchaser").

### RECITALS

WHEREAS, each Purchaser desires to subscribe for and purchase, and the Company desires to issue and sell, certain number of Ordinary Shares (as defined below) pursuant to the terms and conditions set forth in this Agreement;

WHEREAS, each Purchaser desires to subscribe for and purchase, and the Company desires to issue and sell, the Warrants (as defined below), in the form attached hereto as Exhibit A, pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Parties hereto, intending to be legally bound, agrees as follows:

### ARTICLE I DEFINITION AND INTERPRETATION

#### Section 1.01 Definition, Interpretation and Rules of Construction

(a) As used in this Agreement, the following terms have the following meanings:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; *provided* that none of the Company, nor any of its Subsidiaries shall be considered an Affiliate of the Purchaser. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have correlative meanings.

"Applicable Law" means, with respect to any Person, any transnational, domestic or foreign, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

"Board" means the board of directors of the Company.

"Business Day" means any day other than a Saturday, Sunday or another day on which commercial banks in the state of New York are required or authorized by law or executive order to be closed.

"Company Fundamental Warranties" means any representations and warranties of the Company contained in Section 4.01(a) to 4.01(j).

"Company SEC Documents" means all registration statements, proxy statements and other statements, reports, schedules, forms and other documents required to be filed or furnished by the Company with the SEC pursuant to the Exchange Act and the Securities Act and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein, in each case, filed or furnished with the SEC.

"Condition" means any condition to any Party's obligation to effect the Closing as set forth in Article III, and collectively, the "Conditions."

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"Governmental Authority" means any supranational, national, provincial, state, municipal, local or other government, whether U.S. or any instrumentality, subdivision, administrative agency or commission thereof, court, other governmental authority or regulatory body or instrumentality, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority or any self-regulatory agency (including any stock exchange).

"Material Adverse Effect" with respect to a Party means any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results in or would reasonably be expected to result in a material adverse change in or a material adverse effect on (i) the financial condition, business or operations of such Party and its Subsidiaries taken as a whole, or (ii) the ability of such Party to consummate the transactions contemplated by the Transaction Agreements and to timely perform its obligations hereunder and thereunder; *provided* that in determining whether a Material Adverse Effect has occurred under clause (i) above, there shall be excluded any events, facts, circumstances or occurrences relating to or arising in connection with (a) changes in generally accepted accounting principles that are generally applicable to comparable companies (to the extent not materially disproportionately affecting such Party and its Subsidiaries), (b) changes in general economic and market conditions and capital market conditions or changes affecting any of the industries in which such Party and its Subsidiaries operate generally (in each case to the extent not materially disproportionately affecting such Party and its Subsidiaries),

(c) the announcement or disclosure of this Agreement or any other Transaction Agreement or the consummation of the transactions hereunder or thereunder, or any act or omission required or specifically permitted by this Agreement and/or any other Transaction Agreement; (d) any pandemic (including the COVID-19 pandemic (or any mutation or variation of the underlying virus thereof or related health condition)), earthquake, typhoon, tornado or other natural disaster or similar force majeure event, (e) in the case of the Company, any failure to meet any internal or public projections, forecasts, or guidance, or

(f) in the case of the Company, any change in the Company's stock price or trading volume, in and of itself; *provided* further that the underlying causes giving rise to or contributing to any such change or failure under sub-clause (e) or (f) shall not be excluded in determining whether a Material Adverse Effect has occurred except to the extent such underlying causes are otherwise excluded pursuant to any of sub-clauses (a) through (d).

"Nasdaq" means The Nasdaq Stock Market.

"Ordinary Shares" means the ordinary shares, par value US\$0.00001 per share, in the share capital of the Company.

"Parties" means, collectively, the Company and the Purchasers.

"Person" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization.

"Purchaser Fundamental Warranties" means any representations and warranties of the Purchasers contained in Section 4.02(a) to Section 4.02(e).

"SEC" means the Securities and Exchange Commission of the United States of America or any other federal agency at the time administering the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended, and all of the rules and regulations promulgated thereunder.

"Subsidiary" of a Party means any organization or entity, whether incorporated or unincorporated, which is controlled by such Party and, for the avoidance of doubt, the Subsidiaries of a Party shall include any variable interest entity over which such Party or any of its Subsidiaries effects control pursuant to contractual arrangements and which is consolidated with such Party in accordance with generally accepted accounting principles applicable to such Party and any Subsidiaries of such variable interest entity.

"Subject Securities" means, collectively, the Subscription Shares and the Warrants.

"Transaction Agreements" means, collectively, this Agreement, the Warrants and each of the other agreements and documents entered into or delivered by the parties hereto or their respective Affiliates in connection with the transactions contemplated by this Agreement.

"Trading Market" means any of the following markets or exchanges on which the Ordinary Shares are listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTCQB or the OTC Markets (or any successors to any of the foregoing).

"Warrants" means the warrants and any replacement warrants to purchase Ordinary Shares of the Company at the exercise price per Ordinary Share provided therein to be issued by the Company to the Purchasers on the Closing Date in the form attached hereto as Exhibit A.

"Warrant Shares" means the Ordinary Shares that will be issued upon exercise of the Warrants pursuant to the terms set forth in the form attached hereto as Exhibit A.

(b) Each of the following terms is defined in the Section set forth opposite such term:

Agreement	Preamble
Bankruptcy and Equity Exception	Section 4.01(b)
Closing	Section 2.02(a)
Closing Date	Section 2.02(a)
Company	Preamble
Company Indemnitees	Section 6.01(b)
Deductible	Section 6.03(a)
Encumbrances	Section 4.01(d)
Indemnified Party	Section 6.02(a)
Indemnifying Party	Section 6.02(a)
Losses	Section 6.01(a)
Per Unit Purchase Price	Section 2.01
Purchase Price	Section 2.01
Purchaser	Preamble
Purchasers	Preamble
Subscription Shares	Section 2.01
Third Party Claim	Section 6.02(b)

(c) In this Agreement, except to the extent otherwise provided or that the context otherwise requires:

(i) The words "Party" and "Parties" shall be construed to mean a party or the parties to this Agreement, and any reference to a party to this Agreement or any other agreement or document contemplated hereby shall include such party's successors and permitted assigns.

(ii) When a reference is made in this Agreement to an Article, Section, Exhibit, Schedule or clause, such reference is to an Article, Section, Exhibit, Schedule or clause of this Agreement.

(iii) The headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement.

(iv) Whenever the words "include," "includes" or "including" are used in this Agreement, they are deemed to be followed by the words "without limitation."

(v) The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement.

(vi) All terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein.

(vii) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

(viii) The use of "or" is not intended to be exclusive unless expressly indicated otherwise.

(ix) The term "\$" or "US\$" means United States Dollars.

(x) The word "will" shall be construed to have the same meaning and effect as the word "shall."

(xi) References to "law," "laws" or to a particular statute or law shall be deemed also to include any and all Applicable Law.

(xii) A reference to any legislation or to any provision of any legislation shall include any modification, amendment, re-enactment thereof, any legislative provision substituted therefor and all rules, regulations and statutory instruments issued or related to such legislation.

(xiii) References herein to any gender include the other gender.

(xiv) The parties hereto have each participated in the negotiation and drafting of this Agreement and if any ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or burdening any Party by virtue of the authorship of any of the provisions in this Agreement or any interim drafts thereof.

**ARTICLE II**  
**PURCHASE AND SALE; CLOSING**

Section 2.01 Purchase and Sale of Securities.

Upon the terms and subject to the conditions of this Agreement and subject to Applicable Laws, at Closing (as defined below), each Purchaser hereby agrees to subscribe for and purchase, and the Company hereby agrees to issue and sell to each Purchaser, the number of units, each consisting of one Ordinary Share and three warrants with each warrant entitling the holder to purchase one (1) Ordinary Share, at the Per Unit Purchase Price defined below, as set forth opposite such Purchaser's name on the signature page (with respect to such Purchaser, its "Subscription Shares" and "Warrants") for an aggregate subscription price as set forth on such Purchaser's signature page (with respect to such Purchaser, its "Purchase Price"). The Per Unit Purchase Price shall be \$ (0.00136), equal to sixty percent (60%) of the average closing price per ADR during a period of thirty (30) consecutive Trading Days immediately before the date of November 22, 2022 (included) divided by three hundred sixty (360), with the closing price of the American Depositary Receipts ("ADRs") reported by Bloomberg L.P. For the purpose of this Agreement, a "Trading Day" shall mean a day on which trading in the Ordinary Shares or ADRs generally occurs on the Nasdaq or, if the Ordinary Shares or ADRs are not then listed on the Nasdaq, on other principal U.S. national or regional securities exchange on which the Ordinary Shares or ADRs are then listed or, if the Ordinary Shares or ADRs are not then listed on a U.S. national or regional securities exchange, on other principal market on which the Ordinary Shares or ADRs are then traded; provided that if the Ordinary Shares or ADRs are not so listed or traded, "Trading Day" means a Business Day.

Section 2.02 Closing.

(a) Closing. Subject to satisfaction or, to the extent permissible, waiver by the Party or Parties entitled to the benefit of the relevant Conditions, of all the Conditions (other than Conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or, to the extent permissible, waiver of those Conditions at Closing), the closing of the sale and purchase of the Subject Securities pursuant to this Section 2.02(a) (the "Closing") shall take place remotely by electronic means (i) within ten (10) Business Days after the date on which the Conditions (other than the Conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or, to the extent permissible, waiver of those Conditions at the Closing) are satisfied, or (ii) on any other date as may be agreed by the Purchasers and the Company in writing (the "Closing Date"); *provided* that the Closing Date shall be no later than December 5th, 2022.

(b) Payment and Delivery. At Closing,

- (i) each Purchaser shall deliver to the Company the Purchase Price in the U.S. Dollars set forth on the Purchaser's signature page pursuant to the wiring instruction set forth below.

Wiring instruction to the Company:

[ ]

- (ii) the Company shall deliver to each Purchaser:

- (1) a copy of the duly executed share certificate representing the Subscription Shares registered in the name of such Purchaser (the original copy of which shall be delivered to the Purchasers as soon as practicable following the Closing Date);
- (2) an updated certified true copy of the register of members of the Company evidencing the ownership of the Subscription Shares by such Purchaser; and



(3) a copy of the Warrants in the form attached hereto as Exhibit A, duly executed by the Company.

(c) Restrictive Legend. Purchaser Hanqi Li's certificate representing Subscription Shares shall be endorsed with the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED WITHIN THE UNITED STATES IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR TO ANY "U.S. PERSON," AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE ACT, DURING THE 40 DAYS FOLLOWING ACQUISITION OF THE SECURITY BY THE HOLDER THEREOF. ANY ATTEMPT TO TRANSFER, SELL, PLEDGE OR HYPOTHECATE THIS SECURITY IN VIOLATION OF THESE RESTRICTIONS SHALL BE VOID.

Purchaser [ ]'s certificate representing Subscription Shares shall be endorsed with the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

### ARTICLE III CONDITIONS TO CLOSING

#### Section 3.01 Conditions to Obligations of All Parties.

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, injunction, order or decree (in each case, whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the transactions contemplated by the Transaction Agreements.

(b) No action, suit, proceeding or investigation shall have been instituted or threatened by a Governmental Authority or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the transactions contemplated by the Transaction Agreements.

Section 3.02 Conditions to Obligations of Purchasers. The obligations of each Purchaser to subscribe for, purchase and pay for the Subject Securities as contemplated by this Agreement are subject to the satisfaction, on or before the Closing Date, of the following conditions, any of which may be waived in writing by such Purchaser in its sole discretion:

(a) The Company Fundamental Warranties shall have been true and correct in all respects on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date). Other representations and warranties of the Company contained in Section 4.01 of this Agreement shall have been true and correct in all material respects (or, if qualified by "materiality," "Material Adverse Effect" or similar qualifications, true and correct in all respects) on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date).

(b) The Company shall have duly executed and delivered or shall have caused to be duly executed and delivered each Transaction Agreement to which it is a party to the Purchaser at or prior to Closing.

Section 3.03 Conditions to Obligations of the Company. The obligations of the Company to issue and sell the Subject Securities to each Purchaser as contemplated by this Agreement are subject to the satisfaction, on or before the Closing Date, of each of the following conditions with respect to such Purchaser, any of which may be waived in writing by the Company in its sole discretion:

(a) The Purchaser Fundamental Warranties shall have been true and correct in all respects on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date). Other representations and warranties of the Purchaser contained in Section 4.02 of this Agreement shall have been true and correct in all material respects (or, if qualified by "materiality," "Material Adverse Effect" or similar qualifications, true and correct in all respects) on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date).

(b) Each Purchaser shall have performed and complied with all, and not be in breach or default under any, agreements, covenants, conditions and obligations contained in this Agreement that are required to be performed or complied with on or before the Closing Date, including making the payments of the Purchase Price to the Company.

(c) Each Purchaser shall have duly executed and delivered each Transaction Agreement to which it is a party to the Company at or prior to Closing.

#### **ARTICLE IV REPRESENTATIONS AND WARRANTIES**

Section 4.01 Representations and Warranties of the Company. The Company hereby represents and warrants to each Purchaser that, except as set forth in the Company SEC Documents:

(a) Due Formation. The Company is an exempted company, duly incorporated, validly existing and in good standing under the laws of the Cayman Islands.

(b) Authority: Valid Agreement. The Company has all requisite legal power and authority to execute, deliver and perform its obligations under the Transaction Agreements to which it is a party and each other agreement, certificate, document and instrument to be executed by the Company pursuant to this Agreement and each other Transaction Agreement. The execution, delivery and performance by the Company of this Agreement and each other Transaction Agreement to which it is a party and the performance by the Company of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action on the part of the Company. This Agreement has been, and each other Transaction Agreement to which it is a party will be duly executed and delivered by the Company and, assuming due authorization, execution and delivery by the relevant Purchaser(s), constitutes (or, when executed and delivered in accordance herewith will constitute) a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of law or a court of equity, and by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar law affecting creditors' rights and remedies generally (the "Bankruptcy and Equity Exception").

(c) Capitalization. The authorized capital stock of the Company is US\$250,000 divided into 25,000,000,000 Ordinary Shares with a par value of US\$0.00001 each. All issued and outstanding Ordinary Shares have been duly authorized and validly issued and are fully paid and non-assessable, are free of preemptive rights, were issued in compliance with applicable U.S. and other applicable securities laws and were not issued in violation of any preemptive right, resale right, right of first refusal, or similar right.

(d) Valid Issuance. The Subject Securities have been duly and validly authorized for issuance by the Company. The Ordinary Shares that will be issued upon exercise of the Warrants pursuant to the terms therein (the "Warrant Shares") and the Subscription Shares, when issued and delivered by the Company to the Purchasers and registered in the register of members of the Company will (i) be duly and validly issued, fully paid and non-assessable, (ii) rank *pari passu* with, and carry the same rights in all respects as, the other Ordinary Shares then in issue, (iii) be entitled to all dividends and other distributions declared, paid or made thereon, and (iv) free and clear of any pledge, mortgage, security interest, encumbrance, lien, charge, assessment, right of first refusal, right of pre-emption, third party right or interest, claim or restriction of any kind or nature, except for restrictions arising under the Securities Act or as disclosed in the Company SEC Documents or created by virtue of the transactions under this Agreement (collectively, the "Encumbrances").

(e) Non-contravention. None of the execution and the delivery of this Agreement and other Transaction Agreements, nor the consummation of the transactions contemplated hereby or thereby, will (i) violate any provision of the organizational documents of the Company, (ii) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental entity or court to which the Company is subject, or (iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of any Encumbrances under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound or to which any of the Company's or any of its Subsidiaries' assets are subject, except, in the case of (ii) and (iii) above, for such conflicts, breach, defaults, rights or violations, which would not reasonably be expected to result in a Material Adverse Effect. There is no action, suit or proceeding, pending or, to the knowledge of the Company, threatened against the Company that questions the validity of the Transaction Agreements or the right of the Company to enter into this Agreement or to consummate the transactions contemplated hereby or thereby.

(f) Consents and Approvals. None of the execution and delivery by the Company of this Agreement or any Transaction Agreement, nor the consummation by the Company of any of the transactions contemplated hereby or thereby, nor the performance by the Company of this Agreement or other Transaction Agreements in accordance with their respective terms requires the consent, approval, order or authorization of, or registration with, or the giving notice to, any governmental or public body or authority or any third party, except such as have been or will have been obtained, made or given on or prior to the Closing Date and except for any filing or notification required to be made with the SEC or the Nasdaq regarding the issuance of the Subject Securities.

(g) Reserved.

(h) Litigation. Except as disclosed in the Company SEC Documents and to the knowledge of the Company there are no pending or threatened actions, claims, demands, investigations, examinations, indictments, litigations, suits or other criminal, civil or administrative or investigative proceedings before or by any Governmental Authority or by any other person against the Company or any of its Subsidiaries, which would, individually or in the aggregate, have a Material Adverse Effect.

(i) Reserved.

(j) No Additional Representations. The Company makes no representations or warranties as to any matter whatsoever except as expressly set forth in this Agreement or in any certificate delivered by the Company to the Purchaser in accordance with the terms thereof.

Section 4.02 Representations and Warranties of Each Purchaser. Each Purchaser hereby represents and warrants as of the date hereof and as of the Closing Dates to the Company as follows (unless as of a specific date therein):

(a) Organization: Authority. Each Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Agreements and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Agreements and performance by each Purchaser of the transactions contemplated by the Transaction Agreements have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of each Purchaser. Each Transaction Agreement to which it is a party has been duly executed by each Purchaser, and when delivered by each Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of each Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account. Each Purchaser is acquiring the Subject Securities as principal for its own account and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Subject Securities (this representation and warranty not limiting each Purchaser's right to sell the Subject Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). Each Purchaser is acquiring the Subject Securities hereunder in the ordinary course of its business.

(c) Purchaser Status.

- i. Purchaser Hanqi Li is not a "U.S. person" as defined in Rule 902 of Regulation S. Such Purchaser has not been subject to any "directed selling efforts" within the meaning of Rule 903 of Regulation S under the Securities Act in connection with its execution of this Agreement. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, either: (i) an "accredited investor" as defined in Rule 501 under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act.
- ii. At the time Purchaser [ ] was offered the Securities, it was, and as of the date hereof it is, either: (i) an "accredited investor" as defined in Rule 501 under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act.

(d) Experience of Each Purchaser. Each Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Subject Securities, and has so evaluated the merits and risks of such investment. Each Purchaser is able to bear the economic risk of an investment in the Subject Securities and, at the present time, is able to afford a complete loss of such investment.

(e) Access to Information. Each Purchaser acknowledges that it has had the opportunity to review the Transaction Agreements (including all exhibits and schedules thereto) and the Company SEC Documents and has been afforded, (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Subject Securities and the merits and risks of investing in the Subject Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

## ARTICLE V OTHER AGREEMENTS OF THE PARTIES

Section 5.01 Reserved.

Section 5.02 Distribution Compliance Period. Each Purchaser agrees not to resell, pledge or transfer any of its Subscription Shares within the United States or to any U.S. Person, as each of those terms is defined in Regulation S, during the forty (40) days following its Closing Date.

Section 5.03 Further Assurances. From the date of this Agreement until the Closing Date, the Company and such Purchaser shall use their reasonable best efforts to fulfill or obtain the fulfillment of the conditions precedent to the consummation of the transactions contemplated hereby with respect to such Purchaser.

Section 5.04 Reservation of Shares. The Company shall ensure that it has sufficient number of duly authorized Ordinary Shares to comply with its obligations to issue the Subscription Shares and the Warrant Shares pursuant to the terms of the Transaction Agreements.

Section 5.05 Reserved.

Section 5.06 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the

offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

Section 5.07 Securities Laws Disclosure; Publicity. Within the time required by the Exchange Act, the Company shall file a Current Report on Form 6-K, including the Transaction Agreements as exhibits thereto, with the SEC.

Section 5.08 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that neither it, nor any other Person acting on its behalf, will provide the Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information.

## **ARTICLE VI INDEMNIFICATION**

### Section 6.01 Indemnification.

(a) Indemnification by the Company. From and after the Closing Date and subject to Section 6.03, the Company shall indemnify and hold each Purchaser harmless from and against any losses, claims, damages, liabilities, judgments, fines, obligations, cost and expenses, including but not limited to any investigative, legal and other expenses (collectively, "Losses") incurred by such Purchaser as a result of or arising out of: (i) breach of any representation or warranty of the Company contained in Section 4.01; or (ii) violation or nonperformance, partial or total, of any covenant or agreement of the Company contained in this Agreement.

(b) Indemnification by the Purchasers. From and after the Closing Date and subject to Section 6.03, each Purchaser shall indemnify and hold the Company, its Affiliates and their respective directors, officers, agents, successors and assigns (the "Company Indemnitees") harmless from and against any Losses incurred by any Company Indemnitee as a result of or arising out of: (i) breach of any representation or warranty of such Purchaser contained in Section 4.02; or (ii) violation or nonperformance, partial or total, of any covenant or agreement of such Purchaser contained in this Agreement.

(c) The amount of any and all Losses under this Article VI shall be determined net of any insurance or other indemnification proceeds received by the Indemnified Party or its Affiliates in connection with the facts giving rise to the right of indemnification and any increased insurance costs resulting from such claim, including any retroactive or prospective premium adjustments associated with such coverage, as such amounts are determined in accordance with those policies and programs generally applicable from time to time, and only after first applying any available insurance to the portion of a Loss that is not indemnified hereunder.

### Section 6.02 Procedures Relating to Indemnification.

(a) Any party seeking indemnification under Section 6.01 (an "Indemnified Party") shall promptly give the Party from whom indemnification is being sought (an "Indemnifying Party") notice of any matter which such Indemnified Party has determined has given or would reasonably be expected to give rise to a right of indemnification under this Agreement stating in reasonable detail the factual basis of the claim to the extent known by the Indemnified Party, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises; *provided* that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VI except to the extent the Indemnifying Party is materially prejudiced by such failure. With respect to any recovery or indemnification sought by an Indemnified Party from the Indemnifying Party that does not involve a Third Party Claim, if the Indemnifying Party does not notify the Indemnified Party within thirty (30) days from its receipt of the notice from the Indemnified Party that the Indemnifying Party disputes such claim, the Indemnifying Party shall be deemed to have accepted and agreed with such claim.

(b) If an Indemnified Party shall receive notice of any claim or demand asserted by a third party (each, a "Third Party Claim") against it or which may give rise to a claim for Loss under this Article VI, within thirty (30)

days of the receipt of such notice, the Indemnified Party shall give the Indemnifying Party notice of such Third Party Claim, *provided* that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VI except to the extent that the Indemnifying Party is materially prejudiced by such failure. If the Indemnifying Party acknowledges in writing its obligation to indemnify the Indemnified Party hereunder against any Losses that may result from such Third Party Claim, then the Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Indemnified Party within fifteen (15) days of the receipt of such notice from the Indemnified Party; *provided* that if there exists or is reasonably likely to exist a conflict of interest that would make it inappropriate in the judgment of the Indemnified Party in its sole and absolute discretion for the same counsel to represent both the Indemnified Party and the Indemnifying Party, then the Indemnified Party shall be entitled to retain its own counsel in each jurisdiction for which the Indemnified Party determines counsel is required, at the Indemnifying Party's expense. In the event that the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party. No such Third Party Claim may be settled by the Indemnifying Party without the prior written consent of the Indemnified Party.

Section 6.03 Limitation on Liability. Absent fraud, intentional misrepresentation or willful breach:

(a) In no event shall any Indemnified Party be entitled to indemnification for any Losses arising from a claim for indemnification pursuant to Section 6.01(a)(i) (other than Company Fundamental Warranties) or 6.01(b)(i) (other than Purchaser Fundamental Warranties) unless and until the aggregate amount of all Losses suffered or incurred by the Indemnified Party thereunder exceeds five percent (5%) of the Purchase Price (in the event the Indemnified Party is a Company Indemnitee) or five percent (5%) of the Purchase Price (in the event the Indemnified Party is a Purchaser), as applicable (the "Deductible"), in which case the Indemnifying Party shall be liable only for Losses in excess of the Deductible.

(b) the maximum aggregate liabilities of the Indemnifying Party in respect of Losses suffered by the Indemnified Parties pursuant to Section 6.01(a)(i) (other than Company Fundamental Warranties) or 6.01(b)(i) (other than Purchaser Fundamental Warranties) shall not in any event be greater than the Purchase Price (in the event the Indemnified Party is a Purchaser) or the Purchase Price (in the event the Indemnified Party is a Company Indemnitee), as applicable.

(c) Reserved.

## **ARTICLE VII MISCELLANEOUS**

Section 7.01 Venue. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Agreements (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state or federal courts sitting in the Borough of Manhattan, New York, New York. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Borough of Manhattan, New York, New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Agreements), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding.

Section 7.02 Governing Law. This Agreement and all questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed in accordance with the laws of State of New York without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the State of New York to the rights and duties of the Parties hereunder.



Section 7.03 No Third Party Beneficiaries. A person who is not a party to this Agreement has no right to enforce any term of this Agreement.

Section 7.04 Amendment. This Agreement shall not be amended, changed or modified, except by another agreement in writing executed by the Parties hereto.

Section 7.05 Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, each of the parties and their respective heirs, successors and permitted assigns and legal representatives.

Section 7.06 Assignment. Neither this Agreement nor any of the rights, duties or obligations hereunder may be assigned, as between each Purchaser and the Company, without the express written consent of such Purchaser and the Company. Any purported assignment in violation of the foregoing sentence shall be null and void.

Section 7.07 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

If to the Company:

Mercurity Fintech Holding Inc.

Address: Room 1215, FIYTA Technology Building, Gaoxin South, Road One, Nanshan District, Shenzhen, 518000, Guangdong Province,  
People's Republic of China  
Email: qbit@mercurityfintech.com  
Attention: Shi Qiu

With a copy to the Company's Counsel at (which shall not constitute notice):

Address: 1185 Avenue of the Americas, 31st Floor, New York, New York 10036  
Email: hlou@SRF.LAW  
Attention: Huan Lou

If to the Purchaser(s): see each Purchaser's signature page.

Any Party may change its address for purposes of this Section 7.07 by giving the other Parties hereto written notice of the new address in the manner set forth above. For the avoidance of doubt, only notice delivered to the address and person of the Parties to this Agreement shall constitute effective notice to such Party for the purposes of this Agreement.

Section 7.08 Entire Agreement. This Agreement and the other Transaction Agreements including the schedules and exhibits hereto and thereto constitutes the entire understanding and agreement between the Parties with respect to the matters covered hereby and thereby, and all prior agreements and understandings, oral or in writing, if any, between the Parties with respect to the matters covered hereby and thereby are merged and superseded by this Agreement and the other Transaction Agreements.

Section 7.09 Severability. If any provisions of this Agreement shall be adjudicated to be illegal, invalid or unenforceable in any action or proceeding whether in its entirety or in any portion, then such provision shall be deemed amended, if possible, or deleted, as the case may be, from the Agreement in order to render the remainder of the Agreement and any provision thereof both valid and enforceable, and all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

Section 7.10 Fees and Expenses. The expenses incurred in connection with the negotiation, preparation and execution of this Agreement and other Transaction Agreements and the transactions contemplated hereby and thereby, including fees and expenses of attorneys, accountants, consultants and financial advisors, shall be the responsibility of the Party incurring such expenses.

Section 7.11 Reserved.

Section 7.12 Reserved.

Section 7.13 Termination.

(a) This Agreement shall automatically terminate as between the Company and each Purchaser upon the earliest to occur of:

(i) the written consent of each of the Company and such Purchaser; or

(ii) by the Company or such Purchaser in the event that any Governmental Authority shall have issued a judgment or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by the Transaction Agreements and such judgment or other action shall have become final and non-appealable.

(b) Upon the termination of this Agreement, this Agreement will have no further force or effect, except for the provisions of Sections 7.02 and 7.07 hereof, which shall survive any termination under this Section 7.13; *provided* that neither the Company nor the Purchaser shall be relieved or released from any liabilities or damages arising out of (i) fraud or (ii) any breach of this Agreement prior to such termination.

Section 7.14 Headings. The headings of the various articles and sections of this Agreement are inserted merely for the purpose of convenience and do not expressly or by implication limit, define or extend the specific terms of the section so designated.

Section 7.15 Execution in Counterparts. For the convenience of the Parties and to facilitate execution, this Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. Signatures in the form of facsimile or electronically imaged "PDF" shall be deemed to be original signatures for all purposes hereunder.

Section 7.16 Reserved.

Section 7.17 Waiver. No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy.

Section 7.18 Adjustment of Share Numbers. If there is a subdivision, split, stock dividend, combination, reclassification or similar event with respect to any of the ordinary shares referred to in this Agreement, then, in any such event, the numbers and types of shares referred to in this Agreement shall be equitably adjusted as appropriate to the number and types of shares of such stock that a holder of such number of shares of such stock would own or be entitled to receive as a result of such event of such holder had held such number of shares immediately prior to the record date for, or effectiveness of, such event.

*[Signature pages follow]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first above written.

**Mercurity Fintech Holding Inc.**

By: /s/

Name: Shi Qiu

Title: Chief Executive Officer

*[Signature Page to Securities Purchase Agreement]*

IN WITNESS WHEREOF, the Party has caused this Agreement to be executed on the date first above written.

Name of Purchaser: HANQI LI

*Signature of Authorized Signatory of Purchaser:*

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*[Signature Page to Securities Purchase Agreement]*

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*[Signature Page to Securities Purchase Agreement]*

**EXHIBIT A**  
**ORDINARY SHARE PURCHASE WARRANTS**

Warrant No.:

Date of Issuance: November [ ], 2022 (the "**Issuance Date**")

**WARRANT TO PURCHASE  
ORDINARY SHARES  
OF  
MERCURY FINTECH HOLDING INC.**

This Warrant (the "**Warrant**") certifies that, for value received, [ ] and/or such entity that such person may designate in accordance with the Securities Purchase Agreement (as defined below) shall collectively be referred to as the "**Holder**") is entitled to purchase [ ] ordinary shares, with par value US\$0.00001 per share (the "**Ordinary Shares**") of Mercury Fintech Holding Inc., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "**Company**"), on the terms set forth herein.

This Warrant is issued pursuant to a Securities Purchase Agreement (the "**Purchase Agreement**") dated as of November 30, 2022 and entered into among the Company, the Holder and certain other parties thereto. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Purchase Agreement.

**1. Purchase of Shares.** Subject to the terms and conditions hereinafter set forth, the Company hereby grants the Holder the right to purchase from the Company up to [ ] Ordinary Shares (the "**Warrant Shares**"), equal to 300% of the amount of the Ordinary Shares that the Holder has purchased pursuant to the Purchase Agreement, at the Exercise Price (as defined below), subject to adjustments and conditions as provided herein.

**2. Exercise.**

**(a) Exercise Price.** Unless otherwise mutually agreed by the Holder and the Company, and subject to adjustments and conditions as provided herein, the per share purchase price for the Warrant Shares shall be US\$ 1/360th per ordinary share subject to adjustments specified in Section 4 of this Warrant (the "**Exercise Price**").

Notwithstanding any adjustment made in accordance with this Warrant or anything to the contrary in this Warrant, the aggregate Exercise Price shall in no event be less than the aggregate par value of the Warrant Shares at the time of exercise (the "**Minimum Consideration**").

**(b) Exercise Period.** Unless otherwise agreed by the Holder and the Company, this Warrant is exercisable, in whole but not in part, by the Holder for a period of three years (the "**Exercise Period**") commencing on the Issuance Date, provided that i) the closing price of the American Depositary Receipts (the "ADRs"), each representing 360 ordinary shares, is one dollar (\$1.00) or more on each day during a period of at least twenty (20) consecutive Trading Days after not including the Issuance Date, if and with the closing price of the ADRs is being reported by Bloomberg L.P. and the ADRs are traded on a



U.S. national or regional securities exchange, or ii) the closing price of the ordinary shares is one/three hundred sixtieth (\$1/360th) or more on each day during a period of at least twenty (20) consecutive Trading Days after not including the Issuance Date, if and with the closing price of the ordinary shares is being reported by Bloomberg L.P. and the ordinary shares are traded on a U.S. national or regional securities exchange. For the purpose of this Warrant, "**Trading Day**" shall mean a day on which trading in the Ordinary Shares generally occurs on the Nasdaq or, if the Ordinary Shares are not then listed on the Nasdaq, on other principal U.S. national or regional securities exchange on which the Ordinary Shares are then listed or, if the Ordinary Shares are not then listed on a U.S. national or regional securities exchange, on other principal market on which the Ordinary Shares are then traded; provided that if the Ordinary Shares are not so listed or traded, "Trading Day" means a Business Day.

(c) **Form of Payment.** Subject to Sections 2(a) and 2(d), the aggregate Exercise Price for the Warrant Shares may be settled no later than the close of business on the fifth (5<sup>th</sup>) Business Day following the receipt of the Notice of Exercise (as defined below) by the Company from the Holder, by wire transfer of immediately available funds in U.S. dollars to such bank account designated in writing by the Company.

(d) **Cashless Exercise.** If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the issuance of the Warrant Shares to the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing  $[(A-B) (X)]$  by (A), where:

(A) = as applicable: (i) the closing price on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is both executed and delivered pursuant to Section 9 hereof on a day that is not a Trading Day, (ii) the closing price on such Trading Day if the Notice of Exercise is both executed and delivered pursuant to Section 9 hereof on a Trading Day prior to the closing of "regular trading hours" (as defined in Rule 600(b) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, or (iii) the closing price on the Trading Day immediately after the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 9 hereof after the close of "regular trading hours" on such Trading Day;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the characteristics of the Warrants being exercised, and the holding period of

the Warrant Shares being issued may be tacked on to the holding period of this Warrant. The Company agrees not to take any position contrary to this Section 2(d).

(e) **Issuance of Certificates; Acknowledgement** The exercise of this Warrant shall be effected by the delivery of this Warrant, together with a duly executed copy of the Notice of Exercise in the form attached hereto as Exhibit A, to the Company (the "**Notice of Exercise**") and the payment of the Exercise price in accordance with Section 2(c) or without payment pursuant to Section 2(d). The Company agrees that the Warrant Shares purchased under this Warrant shall be and are deemed to be issued to the Holder as the record owner of such shares as of the close of business on the date the aggregate Exercise Price for the Warrant Shares is paid to the Company. The Company shall deliver to the Holder within five (5) Business Days after its receipt of the executed Notice of Exercise: (i) a duly executed share certificate representing the Warrant Shares, and (ii) a certified true copy of the updated register of members of the Company reflecting the Holder's ownership of the Warrant Shares, provided, however, that the aggregate Exercise Price shall be paid in accordance with Section 2(c) or the Warrants are exercised in a cashless manner as set forth in Section 2(d).

3. **Reservation of Shares.** The Company covenants and agrees that all Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance and after payment of the aggregate Exercise Price in accordance with Section 2(c) or without payment pursuant to Section 2(d), be duly authorized, validly issued, fully paid and non-assessable and free from all preemptive rights of any shareholder and free of all taxes, liens and charges with respect to the issue thereof, except as provided under Applicable Laws, this Warrant and the memorandum and articles of association of the Company then in effect. The Company further covenants and agrees that the Company will, at all times during the Exercise Period, have authorized and reserved a sufficient number of Ordinary Shares to provide for the exercise of the rights represented by this Warrant.

4. **Adjustment of Exercise Price and Warrant.** The Exercise Price and/or Warrant shall be subject to adjustment from time to time as follows:

(a) **Share Splits, Share Subdivisions, Dividends or Combinations** In the event the Company shall at any time, or from time to time, effect a split or subdivision of the outstanding Ordinary Shares, the Exercise Price of this Warrant shall be proportionally decreased and the number of Ordinary Shares issuable upon exercise of this Warrant (or any shares or other securities at the time issuable upon exercise of this Warrant) shall be proportionally increased to reflect any such share split or subdivision of the Ordinary Shares. Conversely, if the Company shall at any time, or from time to time, combine the outstanding Ordinary Shares into a smaller number of shares, the Exercise Price of this Warrant shall be proportionally increased and the number of Ordinary Shares issuable upon exercise of this Warrant (or any shares or other securities at the time issuable upon exercise of this Warrant) shall be proportionally decreased to reflect any such combination of the Ordinary Shares. Any adjustment under this paragraph shall become effective at the close of business on the date the share split, subdivision or combination becomes effective.

- (b) **Dividends or Distributions of Shares or Other Securities or Property** In the event the Company shall make or issue, or shall fix a record date for the determination of eligible holders entitled to receive, a dividend or other distribution with respect to the Ordinary Shares (or any shares or other securities at the time issuable upon exercise of this Warrant) payable in (i) shares or other securities of the Company; or (ii) assets (excluding cash dividends paid or payable solely out of retained earnings), then, in each such case, the Holder on exercise hereof at any time after the consummation, effective date or record date of such dividend or other distribution, shall not be entitled to receive, in addition to the Ordinary Shares (or such other shares or securities) issuable on such exercise prior to such date, the additional shares or other securities of the Company or such other assets during such period giving effect to all adjustments called for by this Section 4(b).
- (c) **Reclassification.** If the Company, by reclassification of shares or otherwise, shall change any of the shares as to which purchase rights under this Warrant exist into the same or a different number of shares of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of shares as would have been issuable as the result of such change with respect to the shares that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Exercise Price therefor shall be equitably adjusted, all subject to further adjustment as provided in this Section 4.

- (d) **Capital Reorganization, Merger or Consolidation** In case of any reorganization of the share capital of the Company (other than a combination, reclassification or subdivision of shares otherwise provided for herein), or any merger or consolidation of the Company with or into another corporation, or the sale or transfer of all or substantially all the assets of the Company then, and in each such case, as a part of such reorganization, merger, consolidation, sale or transfer, lawful provision shall be made so that the Holder shall thereafter be entitled to receive, upon exercise of this Warrant, during the period specified herein and upon payment in accordance with Section 2(c) or without payment pursuant to Section 2(d), the number of shares or other securities or property of the successor corporation resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the shares deliverable upon exercise of this Warrant would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Warrant had been exercised immediately before such reorganization, merger, consolidation, sale or transfer, all subject to further adjustment as provided in this Section 4. The foregoing provisions of this Section 4(d) shall similarly apply to successive reorganizations, consolidations, mergers, sales and transfers of the shares or securities of any other corporation that are at the time receivable upon the exercise of this Warrant. In all events, appropriate adjustment (as determined in good faith by the Company's board of directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the transaction, to the end that the provisions of this Warrant shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant.
- (e) **Notice of Adjustment.** The Company shall promptly give the Holder of this Warrant written notice of each adjustment or readjustment of the Exercise Price or the number of Warrant Shares or other securities issuable upon exercise of this Warrant. The notice shall describe the adjustment or readjustment and show in reasonable detail the facts on which the adjustment or readjustment is based.

5. **Transfers of Warrant.** This Warrant and all rights and obligations hereunder may not be transferred or assigned in whole or in part by the Holder (subject to compliance with the Securities Act, other applicable securities laws and constitutional documents of the Company) without the prior written consent of the Company.

6. **Loss or Mutilation** Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the event of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the event of any such mutilation upon surrender and cancellation of such Warrant, the Company will execute and deliver a new Warrant of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant.

7. **Amendment and Waiver.** Any term of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

**8. Successors and Assigns.** This Warrant shall be binding upon and inure to the benefit of the Company, the Holder and their respective successors and permitted assigns.

**9. Notices.** Any notice required or permitted pursuant to this Warrant shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to the address as shown below (or at such other address as such party may designate by fifteen (15) days' advance written notice to the Company or Holder, as applicable, given in accordance with this Section 9). Where such notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a confirmation of delivery, and to have been effected at the expiration of sixty (60) hours after the letter containing the same is sent as aforesaid. Where a notice is sent by facsimile, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as provided above.

If notice to the Company:

Mercurity Fintech Holding Inc.  
Address: Room 1215, FIYTA Technology Building, Gaoxin  
South, Road One, Nanshan District, Shenzhen, 518000,  
Guangdong Province, People's Republic of China  
Email: qbit@mercurityfintech.com  
Attention: Shi Qiu

With a copy to the Company's Counsel at (which shall not constitute notice):  
Address: 1185 Avenue of the Americas, 31st Floor, New York, New York 10036  
Email: hlou@SRF.LAW  
Attention: Huan Lou

If notice to the Holder: see the Purchase Agreement

**10. Headings.** The section and subsection headings of this Warrant are inserted for convenience only and shall not constitute a part of this Warrant in construing or interpreting any provision hereof.

**11. Governing Law.** This Warrant shall be governed by and construed in accordance with the laws of the State of New York without giving effect to any choice or conflict of law provision or rule thereof.

**12. Venue.** Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Warrant and any other Transaction Agreements (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state or federal courts sitting in the Borough of Manhattan, New York, New York. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Borough of Manhattan, New York, New York for the adjudication of any dispute hereunder or in

connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Agreements), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding.

**13. Interpretation.** For all purposes of this Warrant, except as otherwise expressly provided, (i) the term "or" is not exclusive; (ii) the terms defined herein and any capitalized terms used herein without definition shall include the plural as well as the singular, (iii) unless otherwise provided for, all references in this Warrant to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the body of this Warrant, (iv) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Warrant as a whole and not to any particular Section or other subdivision, and (vi) "include," "including," "are inclusive of" and similar expressions are not expressions of limitation and shall be construed as if followed by the expression "without limitation".

**14. No Presumption** The parties acknowledge that any applicable law that would require interpretation of any claimed ambiguities in this Warrant against the party that drafted it has no application and is expressly waived. If any claim is made by a party relating to any conflict, omission or ambiguity in the provisions of this Warrant, no presumption or burden of proof or persuasion will be implied because this Warrant was prepared by or at the request of any party or its counsel.

**15. Counterparts.** This Warrant may be executed in two or more counterparts and may be delivered by electronic PDF or facsimile transmission, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

**16. Severability.** If one or more provisions of this Warrant are held to be unenforceable under any applicable law, such provision shall be excluded from this Warrant and the balance of this Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

**17. Entire Agreement.** This Agreement together with the other instruments and agreements referenced herein constitutes the entire agreement between the Parties with respect to the subject matter hereof.

*[The remainder of this page has been intentionally left blank.]*

IN WITNESS WHEREOF, the Company caused this Warrant to be executed by a director thereunto duly authorized.

**COMPANY:**

**Mercurity Fintech Holding Inc.**

By: \_\_\_\_\_  
Name: Shi Qiu  
Title: Chief Executive Officer

*[Signature Page to Warrant]*

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## ASSET PURCHASE AGREEMENT

THIS AGREEMENT (this "Agreement") made on this [ 15 ] day of December 2022 (the "Effective Date") is entered into between:

**HUANGTONG INTERNATIONAL CO., LTD.**  
a corporation incorporated under the laws of [ Hong Kong ]  
(the "Vendor")

- and -

**MERCURY FINTECH HOLDING INC.**  
a corporation incorporated under the laws of the Cayman Islands  
(the "Purchaser")

**WHEREAS** the Vendor is the owner of certain assets more fully described on Schedule I attached hereto (the "Assets");

**AND WHEREAS** the Purchaser wishes to purchase the Assets from the Vendor;

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that in consideration of the mutual covenants and agreements set out herein, the parties respectively covenant and agree as follows.

### 1. Definitions.

Where used in this Agreement or in any amendment, the following terms shall have the following meanings respectively:

- (a) "Agreement" means this Agreement of Purchase and Sale, including all schedules, and all instruments supplemental to or in amendment or confirmation of this Agreement;
- (b) "Assets" means certain cryptocurrency mining servers, cables, and other electronic devices set forth in Schedule I attached hereto;
- (c) "Closing" means when the Purchaser has accepted the Assets and the Purchaser has given irrevocable instruction to its Cayman Island registered agent to issue the Ordinary Shares to the Vendor;
- (d) "Closing Date" means the date upon which the Purchaser has accepted the Assets and the Purchaser has given irrevocable instruction to its Cayman Island registered agent to issue the Ordinary Shares to the Vendor;
- (e) "Ordinary Shares" means the ordinary shares of the Purchaser, par value \$0.00001 per share; and
- (f) "Purchase Price" means the purchase price to be paid by the Purchaser to the Vendor as described in Section 2 of this Agreement.
- (g) "Warrant" means the warrants of the Purchaser, a form of which is attached as Exhibit A.

**2. Purchase Price.** The Purchaser hereby purchases and acquires all of the Assets as set forth on Schedule I from the Vendor for the Purchase Price. The Purchase Price payable to the Vendor by the Purchaser for the Assets shall be the sum of FIVE MILLION NINE HUNDRED AND EIGHTY THOUSAND DOLLARS (\$5,980,000 USD) which will be payable in Ordinary Shares of the Purchaser at the stipulated price per share of \$[0.0022] (the Ordinary Shares to be issued may also be referred to as the "Securities"), equal to the average closing price per American Depositary Receipt ("ADR"), each representing 360 Ordinary Shares, during a period of thirty (30) consecutive Trading Days immediately before the Effective Date (included), divided by three hundred sixty (360), with the closing price of the ADR reported by Bloomberg L.P. For the purpose of this Agreement, a "Trading Day" shall mean a day on which trading in the ADRs or Ordinary Shares generally occurs on the Nasdaq or, if neither the Ordinary Shares nor the ADRs are then listed on the Nasdaq, on other principal U.S. national or regional securities exchange on which the ADRs or Ordinary Shares are then listed or, if neither ADRs nor the Ordinary Shares are then listed on a U.S. national or regional securities exchange, on another principal market on which the



ADRs or Ordinary Shares are then traded; provided that if neither the ADRs nor the Ordinary Shares are so listed or traded, "Trading Day" means a Business Day.

3. **Closing.** Upon satisfactory inspection by the Purchaser as set forth in *Section 6* and confirmation of the Closing, the Purchaser shall issue an aggregate of [2,718, 181,818 ] Ordinary Shares (the "Purchase Price Shares") to the Vendor on the Closing Date, which shall occur on or before December 19, 2022, unless otherwise mutually agreed by the parties.

4. **Mining Equipment and Maintenance.** Vendor will be responsible for the installation of all Assets to be deployed at a site or sites designated by the Purchaser (the "Designated Site"). Vendor shall be responsible for routine maintenance on the Assets for a period of one (1) year after the Closing Date, including without limitation monthly maintenance check-up on the Assets.

5. **Title.** All right, title and interest to the Assets shall pass to Purchaser on the Closing Date by operation of law.

6. **Risk of Loss.** All the risks of loss with respect to the Assets shall remain with Vendor before and during the transit until the Assets are delivered to the control of the Purchaser at the Designated Site and the Purchaser has completed the initial test run of the Assets. The Purchaser shall bear the risks of loss or damages once the Purchaser has accepted the Assets after the initial test run, and beyond inspection.

7. **Inspection.**

7.1 *Inspection* . The Purchaser shall have the right to inspect the Assets for a period of five (5) business days before deemed to have accepted the Assets.

7.2 *Return Upon Failed Inspection.* The Purchaser shall give notice to the Vendor within (5) five business days since the delivery date of the Assets if upon inspection, the Purchaser does not wish to accept any of the Assets or part of the Assets (the "Returned Assets"). If the Purchaser notifies the Vendor of its intent not to accept any portion of the Returned Assets after inspection, the Vendor shall be responsible for removal of all of the Returned Assets from the Designated Site and the Vendor will be fully responsible for the expense incurred upon the removal of the Returned Assets from the Designated Site. As a result of the return of Returned Assets, the Purchase Price of the Securities shall be appropriately adjusted by subtracting the value of the Returned Assets based on Schedule I, attached hereto .

8. **Duty to Insure.** Vendor shall adequately insure the Assets against losses or damages by insurable hazards to at least equal to that of the Purchase Price until the Closing Date.

9. **Additional Warrants upon Satisfying the Performance Milestones.** Subject to meeting one of the respective milestones set forth below, the Purchaser shall issue the Vendor certain amount of warrants, substantially in a form of which is attached as Exhibit A, with an exercise price of \$0.60 per ADR or \$0.00167 per ordinary share, as following:

a. If the Assets generate a gross revenue of between \$1,000,000 and \$1,499,999, and result in a net income of between \$500,000 and \$749,999 during the fiscal year of 2023 for the Purchaser based on the Purchaser's audited financial statements for the year ending December 31, 2023, the Purchaser shall issue to the Vendor and the Vendor shall be entitled to receive the warrants to purchase 100% of the amount of the Purchase Price Shares;

b. If the Assets create gross revenue of between \$1,500,000 and \$1,999,999, and a net income of between \$750,000 and \$999,999 during the fiscal year of 2023 for the Purchaser based on the Purchaser's audited financial

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statements for the year ending December 31, 2023, the Purchaser shall issue to the Vendor and the Vendor shall be entitled to receive the warrants to purchase 200% of the amount of the Purchase Price Shares; or

c. If the Assets create gross revenue of \$2,000,000 or more and net income of \$1,000,000 or more during the fiscal year of 2023 for the Purchaser based on the Purchaser's audited financial statements for the year ending December 31, 2023, the Purchaser shall issue to the Vendor and the Vendor shall be entitled to receive the warrants to purchase 300% of the amount of the Purchase Price Shares.

The Company shall issue the warrants to the Vendor within five (5) business days after it determines whether the Vendor has met any of the aforementioned milestones.

#### **10. Representations and Warranties of Vendor:**

Vendor hereby makes the following representations and warranties, as of the date hereof and Closing Date, to and in favor of Purchaser, and acknowledges that Purchaser is relying upon such representations and warranties in connection with entering into this Agreement:

*10.1 Incorporation and Corporate Power of Vendor.* Vendor is a corporation incorporated, organized, validly subsisting and in good standing under the laws of the jurisdiction of its incorporation. Vendor has all requisite corporate power, authority and capacity to carry on its business as presently conducted and to execute and deliver this Agreement and all other agreements and instruments to be executed by it as contemplated herein and to perform its other obligations hereunder and under all such other agreements and instruments contemplated herein. Vendor has the corporate power, authority and capacity to own and dispose of the Assets to Purchaser.

*10.2 Authorization by Vendor.* The execution and delivery of this Agreement and all other agreements and instruments to be executed by it as contemplated herein and the completion of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Vendor and no further corporate action is required to be taken by the directors or shareholders to authorize the completion of the transactions contemplated herein.

*10.3 Title to Assets.* Vendor has good and marketable legal and beneficial title to the Assets, in each case, which will be free and clear of any and all liens and encumbrances. There is no agreement, option or other right or privilege outstanding in favour of any Person for the purchase from Vendor of the Assets or any part thereof.

*10.4 Regulatory Approvals.* No regulatory approval or filing with, notice to, or waiver from any governmental authority is required to be obtained or made by Vendor: (a) in connection with the execution and delivery of, and performance by Vendor of its obligations under, this Agreement or the consummation of the transactions contemplated hereby; (b) to transfer any and all rights and benefits thereunder to Purchaser; or (c) to the knowledge of the Vendor, to permit the Purchaser to operate the Assets as contemplated.

*10.5 Absence of Conflicting Agreements.* The execution, delivery and performance of this Agreement by Vendor and the completion of the transactions contemplated by this Agreement do not and will not result in or constitute any of the following:

- i.) a default, breach or violation or an event that, with notice or lapse of time or both, would be a default, breach or violation of any of the terms, conditions or provisions of the articles, by-laws or equivalent charter documents of Vendor;
  - ii.) an event which, pursuant to the terms of any contract or license, would cause any right or interest of Vendor to come to an end or be amended in any way that is detrimental to the Assets or the business of Purchaser;
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iii.) the violation of any applicable law.

*10.6 Intellectual Property.* The Assets do not violate or infringe the intellectual property of any third party and Purchaser will have all rights to intellectual property (without the need to make any payments in connection therewith) required to operate the Assets in the manner currently contemplated.

*10.7 Warranty Matters.* There have not been any warranty claims made against Vendor in respect of its business or sales of any of the Assets or for which Vendor was responsible, in the past twenty-four (24) months prior to the date hereof.

*10.8 Vendor Status.* Vendor is not a "U.S. person" as defined in Rule 902 of Regulation S. Such Vendor has not been subject to any "directed selling efforts" within the meaning of Rule 903 of Regulation S under the Securities Act in connection with its execution of this Agreement. At the time such Vendor was offered the Securities, it was, as of the Effective Date it is, and as of the Closing Date it will be, either: (i) an "accredited investor" as defined in Rule 501 under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act.

*10.9 Experience of the Vendor.* Vendor has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. The Vendor is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

*10.10 Access to Information.* The Vendor acknowledges that it has had the opportunity to review the Purchaser's SEC Documents and has been afforded, (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Purchaser concerning the terms and conditions of the offering of the Securities and the merits and risks of investing in the Securities; (ii) access to information about the Purchaser and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Purchaser possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

*10.11 Own Account.* The Vendor is acquiring the Securities as principal for its own account and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities (this representation and warranty not limiting the Vendor's right to sell the Securities or otherwise in compliance with applicable federal and state securities laws).

## **11. Representations and Warranties of Purchaser.**

Purchaser hereby makes the following representations and warranties, as of the date hereof, to and in favor of Vendor, and acknowledges that Vendor is relying upon such representations and warranties in connection with entering into this Agreement:

*11.1 Incorporation and Corporate Power.* Purchaser is a corporation incorporated, organized, and subsisting under the laws of the jurisdiction of its incorporation of the Cayman Islands. Purchaser has the corporate power, authority and capacity to execute and deliver this Agreement and Purchaser as the Securities to satisfy the payment of the Purchase Price of the Securities and has the authority to execute and deliver all other agreements and instruments to be executed by it as contemplated herein and to perform its obligations under this Agreement and under all such other agreements and instruments.

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11.2 *Authorization by Purchaser.* The execution and delivery of this Agreement and all other agreements and instruments to be executed by it as contemplated herein and the completion of the transactions contemplated by this Agreement and all such other agreements and instruments have been duly authorized by all necessary corporate action on the part of Purchaser. This Agreement has been, assuming due authorization, execution and delivery by the relevant Purchaser(s), constitutes (or, when executed and delivered in accordance herewith will constitute) a legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of law or a court of equity, and by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar law affecting creditors' rights and remedies generally (the "Bankruptcy and Equity Exception").

11.3 *Enforceability of Obligations.* This Agreement constitutes a valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms.

11.4 *Absence of Conflicting Agreements.* The execution, delivery and performance of this Agreement by Purchaser and the completion of the transactions contemplated by this Agreement do not and will not result in or constitute any of the following:

- i) a default, breach or violation or an event that, with notice or lapse of time or both, would be a default, breach or violation of any of the terms, conditions or provisions of the memorandum and articles of association of Purchaser, as amended from time to time; or
- ii) the violation of any applicable law.

11.5 *Issuance of Shares.* The Securities to be issued at the Closing Date shall have been duly authorized by all necessary corporate action and when paid for and issued in accordance with the terms hereof, shall be validly issued, fully paid and non-assessable.

11.6 *SEC Reports; Financial Statements.* The Purchaser has filed all reports, schedules, forms, statements and other documents required to be filed by the Purchaser under the Securities Act of 1933 and the Securities Exchange Act of 1934, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Purchaser was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports"). As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

## **12. General**

12.1 *Confidentiality.* The parties shall hold in strictest confidence any material information, which is related to either Purchaser or Vendor's business or is designated by either Purchaser or Vendor as proprietary and confidential, herein or otherwise. Vendor further covenants not to disclose or otherwise make known to any Party nor to issue or release for publication any articles or advertising or publicity matter relating to this Agreement in which the name of Purchaser or any of its affiliates is mentioned or used, directly or indirectly, unless prior written consent is granted by the other party; provided, however, that the Purchaser shall be entitled to make any disclosures required as a public company under any applicable law, regulation or stock exchange rule without any consent of Vendor, including the filing of this Agreement as an exhibit thereto.

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*12.2 Force Majeure.* Any delay or failure of Vendor to perform its obligations under this Agreement will be excused to the extent that the delay or failure was caused directly by an event beyond the Vendor's control, without the Vendor's fault or negligence and that by its nature could not have been foreseen by the Vendor or, if it could have been foreseen, was unavoidable (which events may include natural disasters, embargoes, explosions, riots, wars, acts of terrorism, strikes, labour stoppages or slowdowns or other industrial disturbances, and shortage of adequate power or transportation facilities).

*12.3 Notices.* Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given.

If to the Purchaser:

Mercurity Fintech Holding Inc.

Address: Room 1215, FIYTA Technology Building, Gaoxin South, Road One, Nanshan District, Shenzhen,  
518000, Guangdong Province, People's Republic of China  
Email: qbit@mercurityfintech.com  
Attention: Shi Qiu

With a copy to the Purchaser's Counsel at (which shall not constitute notice):

Address: 1185 Avenue of the Americas, 31st Floor, New York, New York 10036  
Email: hlou@SRF.LAW  
Attention: Huan Lou, Esq.

If to the Vendor:

Huangtong International Co., Ltd.

Address:  
Email:  
Attention:

Any Party may change its address for purposes of this *Section 11.3* by giving the other Parties hereto written notice of the new address in the manner set forth above. For the avoidance of doubt, only notice delivered to the address and person of the Parties to this Agreement shall constitute effective notice to such Party for the purposes of this Agreement.

*12.4 Waiver.* Any waiver by either Party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a Party to insist upon strict adherence to any term of this Agreement on one or more occasions shall neither be considered a waiver nor deprive that Party of any right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in writing and signed by the Party to be charged therewith .

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12.5 *Modifications.* No revision or modification of this Agreement shall be effective unless in writing and executed by authorized representatives of both parties.

12.6 *Assignment.* Neither party shall assign, transfer, delegate or subcontract any of its rights or obligations under this Agreement without the prior written consent of the other party. Any purported assignment or delegation in violation of this Section shall be null and void. No assignment or delegation shall relieve the other party of any of its obligations hereunder.

12.7 *Severability.* If any portion of this Agreement is held invalid, such invalidity shall not affect the validity of the remaining portions of the Agreement, and the parties will substitute for any such invalid portion hereof a provision which best approximates the effect and intent of the invalid provision.

12.8 *Construction and Jurisdiction.* This Agreement, the legal relations between the parties and any action, whether contractual or non-contractual, instituted by any party with respect to any matter arising between the parties, including but not limited to matters arising under or in connection with this Agreement, such as the negotiation, execution, interpretation, coverage, scope, performance, breach, termination, validity, or enforceability of this Agreement, shall be governed by and construed in accordance with the internal laws of the State of New York without reference to principles of conflicts of laws. The parties hereto hereby irrevocably submit to the exclusive jurisdiction of the courts of the State of New York and the Federal Courts of the United States of America located within the Southern District of New York with respect to any matter arising between the parties, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or thereof, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a New York State or Federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in any manner as may be permitted by applicable law, shall be valid and sufficient service thereof. With respect to any particular action, suit or proceeding arising between the parties, including but not limited to matters arising under or in connection with this Agreement, venue shall lie solely in any New York County or any Federal Court of the United States of America sitting in the Southern District of New York. The prevailing party in any dispute arising out of this Agreement shall be entitled to his or its reasonable attorney's fees and costs.

12.9 *Headings.* The paragraph titles of this Agreement are for conveniences only and shall not define or limit any of the provisions hereof.

12.10 *Entire Agreement.* This Agreement and all schedules attached hereto, is intended as the complete and exclusive statement of the agreement between Purchaser and Vendor with respect to the subject matter hereof, and supersede all prior agreements and negotiations related thereto.

12.11 *Binding Provisions.* The provisions hereof shall be binding upon and shall inure to the benefit of Purchaser and Vendor, their respective successors, and permitted assigns.

12.12 *Counterparts.* Provided that all parties hereto execute a copy of this Agreement, this Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Executed copies of this Agreement may be delivered by facsimile transmission or other comparable means. This Agreement shall be deemed fully executed and entered into on the date of execution by the last signatory required hereby.

[SIGNATURES PAGES BELOW]

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*[Signature page to the Asset Purchase Agreement]*

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Warrant No.: [ ]

Date of Issuance: [ ] (the "**Issuance Date**")

**WARRANT TO PURCHASE  
ORDINARY SHARES  
OF  
MERCURY FINTECH HOLDING INC.**

This Warrant (the "**Warrant**") certifies that, for value received, [ ] and/or such entity that such person may designate in accordance with the Asset Purchase Agreement (as defined below) shall collectively be referred to as the "**Holder**") is entitled to purchase [ ] ordinary shares, with par value US\$0.00001 per share (the "**Ordinary Shares**") of Mercury Fintech Holding Inc., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "**Company**"), on the terms set forth herein.

This Warrant is issued pursuant to an Asset Purchase Agreement (the "**Purchase Agreement**") dated as of December [ ], 2022 and entered into among the Company, the Holder and certain other parties thereto. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Purchase Agreement.

**1. Purchase of Shares.** Subject to the terms and conditions hereinafter set forth, the Company hereby grants the Holder the right to purchase from the Company up to [ ] Ordinary Shares (the "**Warrant Shares**"), equal to [ ]% of the amount of the Ordinary Shares that the Holder has purchased pursuant to the Purchase Agreement, at the Exercise Price (as defined below), subject to adjustments and conditions as provided herein.

**2. Exercise.**

**(a) Exercise Price.** Unless otherwise mutually agreed by the Holder and the Company, and subject to adjustments and conditions as provided herein, the per share purchase price for the Warrant Shares shall be US\$0.00167 per Ordinary Share (the "**Exercise Price**").

Notwithstanding any adjustment made in accordance with this Warrant or anything to the contrary in this Warrant, the aggregate Exercise Price shall in no event be less than the aggregate par value of the Warrant Shares at the time of exercise (the "**Minimum Consideration**").

**(b) Exercise Period.** Unless otherwise agreed by the Holder and the Company, this Warrant is exercisable, in whole but not in part, by the Holder for a period of three years (the "**Exercise Period**") commencing on the Issuance Date, provided that the closing per share price of the Ordinary Share is sixty cents (\$0.60) or more for a period of at least twenty (20) consecutive Trading Days after not including the Issuance Date, with the closing price of the Ordinary Share reported by Bloomberg L.P. For the purpose of this Warrant, "**Trading Day**" shall mean a day on which trading in the Ordinary Shares generally occurs on the Nasdaq or, if the Ordinary Shares are not then listed on the Nasdaq, on other principal U.S. national or regional securities exchange on which the



Ordinary Shares are then listed or, if the Ordinary Shares are not then listed on a U.S. national or regional securities exchange, on other principal market on which the Ordinary Shares are then traded; *provided* that if the Ordinary Shares are not so listed or traded, "Trading Day" means a Business Day.

(c) **Form of Payment.** Subject to Section 2(a), the aggregate Exercise Price for the Warrant Shares may be settled no later than the close of business on the fifth (5th) Business Day following the receipt of the Notice of Exercise (as defined below) by the Company from the Holder, by wire transfer of immediately available funds in U.S. dollars to such bank account designated in writing by the Company.

(d) **Issuance of Certificates; Acknowledgement.** The exercise of this Warrant shall be effected by the delivery of this Warrant, together with a duly executed copy of the Notice of Exercise in the form attached hereto as Exhibit A, to the Company (the "**Notice of Exercise**") and the payment of the Exercise price in accordance with Section 2(c). The Company agrees that the Warrant Shares purchased under this Warrant shall be and are deemed to be issued to the Holder as the record owner of such shares as of the close of business on the date the aggregate Exercise Price for the Warrant Shares is paid to the Company. The Company shall deliver to the Holder within five (5) Business Days after its receipt of the executed Notice of Exercise: (i) a duly executed share certificate representing the Warrant Shares, and (ii) a certified true copy of the updated register of members of the Company reflecting the Holder's ownership of the Warrant Shares, provided, however, that the aggregate Exercise Price shall be paid in accordance with Section 2(c).

3. **Reservation of Shares.** The Company covenants and agrees that all Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance and after payment of the aggregate Exercise Price in accordance with Section 2(c), be duly authorized, validly issued, fully paid and non-assessable and free from all preemptive rights of any shareholder and free of all taxes, liens and charges with respect to the issue thereof, except as provided under Applicable Laws, this

Warrant and the memorandum and articles of association of the Company then in effect. The Company further covenants and agrees that the Company will, at all times during the Exercise Period, have authorized and reserved a sufficient number of Ordinary Shares to provide for the exercise of the rights represented by this Warrant.

**4. Adjustment of Exercise Price and Warrant.** The Exercise Price and/or Warrant shall be subject to adjustment from time to time as follows:

- (a) Share Splits, Share Subdivisions, Dividends or Combinations.** In the event the Company shall at any time, or from time to time, effect a split or subdivision of the outstanding Ordinary Shares, the Exercise Price of this Warrant shall be proportionally decreased and the number of Ordinary Shares issuable upon exercise of this Warrant (or any shares or other securities at the time issuable upon exercise of this Warrant) shall be proportionally increased to reflect any such share split or subdivision of the Ordinary Shares. Conversely, if the Company shall at any time, or from time to time, combine the outstanding Ordinary Shares into a smaller number of shares, the Exercise Price of this Warrant shall be proportionally increased and the number of Ordinary Shares issuable upon exercise of this Warrant (or any shares or other securities at the time issuable upon exercise of this Warrant) shall be proportionally decreased to reflect any such combination of the Ordinary Shares. Any adjustment under this paragraph shall become effective at the close of business on the date the share split, subdivision or combination becomes effective.
- (b) Dividends or Distributions of Shares or Other Securities or Property.** In the event the Company shall make or issue, or shall fix a record date for the determination of eligible holders entitled to receive, a dividend or other distribution with respect to the Ordinary Shares (or any shares or other securities at the time issuable upon exercise of this Warrant) payable in (i) shares or other securities of the Company; or (ii) assets (excluding cash dividends paid or payable solely out of retained earnings), then, in each such case, the Holder on exercise hereof at any time after the consummation, effective date or record date of such dividend or other distribution, shall not be entitled to receive, in addition to the Ordinary Shares (or such other shares or securities) issuable on such exercise prior to such date, the additional shares or other securities of the Company or such other assets during such period giving effect to all adjustments called for by this Section 4(b).
- (c) Reclassification.** If the Company, by reclassification of shares or otherwise, shall change any of the shares as to which purchase rights under this Warrant exist into the same or a different number of shares of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of shares as would have been issuable as the result of such change with respect to the shares that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Exercise Price therefor shall be equitably adjusted, all subject to further adjustment as provided in this Section 4.

- (d) **Capital Reorganization, Merger or Consolidation.** In case of any reorganization of the share capital of the Company (other than a combination, reclassification or subdivision of shares otherwise provided for herein), or any merger or consolidation of the Company with or into another corporation, or the sale or transfer of all or substantially all the assets of the Company then, and in each such case, as a part of such reorganization, merger, consolidation, sale or transfer, lawful provision shall be made so that the Holder shall thereafter be entitled to receive, upon exercise of this Warrant, during the period specified herein and upon payment in accordance with Section 2(c), the number of shares or other securities or property of the successor corporation resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the shares deliverable upon exercise of this Warrant would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Warrant had been exercised immediately before such reorganization, merger, consolidation, sale or transfer, all subject to further adjustment as provided in this Section 4. The foregoing provisions of this Section 4(d) shall similarly apply to successive reorganizations, consolidations, mergers, sales and transfers of the shares or securities of any other corporation that are at the time receivable upon the exercise of this Warrant. In all events, appropriate adjustment (as determined in good faith by the Company's board of directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the transaction, to the end that the provisions of this Warrant shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant.
- (e) **Notice of Adjustment.** The Company shall promptly give the Holder of this Warrant written notice of each adjustment or readjustment of the Exercise Price or the number of Warrant Shares or other securities issuable upon exercise of this Warrant. The notice shall describe the adjustment or readjustment and show in reasonable detail the facts on which the adjustment or readjustment is based.
5. **Transfers of Warrant.** This Warrant and all rights and obligations hereunder may not be transferred or assigned in whole or in part by the Holder (subject to compliance with the Securities Act, other applicable securities laws and constitutional documents of the Company) without the prior written consent of the Company.
6. **Loss or Mutilation.** Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the event of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the event of any such mutilation upon surrender and cancellation of such Warrant, the Company will execute and deliver a new Warrant of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant.
7. **Amendment and Waiver.** Any term of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

**8. Successors and Assigns.** This Warrant shall be binding upon and inure to the benefit of the Company, the Holder and their respective successors and permitted assigns.

**9. Notices.** Any notice required or permitted pursuant to this Warrant shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to the address as shown below (or at such other address as such party may designate by fifteen (15) days' advance written notice to the Company or Holder, as applicable, given in accordance with this Section 9). Where such notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a confirmation of delivery, and to have been effected at the expiration of sixty (60) hours after the letter containing the same is sent as aforesaid. Where a notice is sent by facsimile, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as provided above.

If notice to the Company:

Mercury Fintech Holding Inc.

Address: Room 1215, FIYTA Technology Building, Gaoxin  
South, Road One, Nanshan District, Shenzhen, 518000,  
Guangdong Province, People's Republic of China

Email: qbit@mercurityfintech.com

Attention: Shi Qiu

With a copy to the Company's Counsel at (which shall not constitute notice):

Address: 1185 Avenue of the Americas, 31st Floor, New York, New York  
10036

Email: hlou@SRF.LAW

Attention: Huan Lou

If notice to the Holder: see the Purchase Agreement

**10. Headings.** The section and subsection headings of this Warrant are inserted for convenience only and shall not constitute a part of this Warrant in construing or interpreting any provision hereof.

**11. Governing Law.** This Warrant shall be governed by and construed in accordance with the laws of the State of New York without giving effect to any choice or conflict of law provision or rule thereof.

**12. Venue.** Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Warrant and any other Transaction Agreements (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state or federal courts sitting in the Borough of Manhattan, New York, New York. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Borough of Manhattan, New York, New York for the adjudication of any dispute hereunder or in connection

herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Agreements), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding.

**13. Interpretation.** For all purposes of this Warrant, except as otherwise expressly provided, (i) the term "or" is not exclusive; (ii) the terms defined herein and any capitalized terms used herein without definition shall include the plural as well as the singular, (iii) unless otherwise provided for, all references in this Warrant to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the body of this Warrant, (iv) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Warrant as a whole and not to any particular Section or other subdivision, and (vi) "include," "including," "are inclusive of" and similar expressions are not expressions of limitation and shall be construed as if followed by the expression "without limitation".

**14. No Presumption.** The parties acknowledge that any applicable law that would require interpretation of any claimed ambiguities in this Warrant against the party that drafted it has no application and is expressly waived. If any claim is made by a party relating to any conflict, omission or ambiguity in the provisions of this Warrant, no presumption or burden of proof or persuasion will be implied because this Warrant was prepared by or at the request of any party or its counsel.

**15. Counterparts.** This Warrant may be executed in two or more counterparts and may be delivered by electronic PDF or facsimile transmission, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

**16. Severability.** If one or more provisions of this Warrant are held to be unenforceable under any applicable law, such provision shall be excluded from this Warrant and the balance of this Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

**17. Entire Agreement.** This Agreement together with the other instruments and agreements referenced herein constitutes the entire agreement between the Parties with respect to the subject matter hereof.

*[The remainder of this page has been intentionally left blank.]*

IN WITNESS WHEREOF, the Company caused this Warrant to be executed by a director thereunto duly authorized.

**COMPANY:**

**Mercurity Fintech Holding Inc.**

By: \_\_\_\_\_  
Name: Shi Qiu  
Title: Chief Executive Officer

*[Signature Page to Warrant]*

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**SECURITIES PURCHASE AGREEMENT**

Dated December 23, 2022

among

**Mercurity Fintech Holding Inc.**

and

**The Purchaser Set Forth on the Signature Pages**

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## SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (this "Agreement"), dated December 23, 2022 is entered into by and among (i) Mercurity Fintech Holding Inc., an exempted company with limited liability organized and existing under the laws of the Cayman Islands (the "Company"), and (ii) the Person whose name is set forth on the signature page hereto (the "Purchaser").

### RECITALS

WHEREAS, the Purchaser desires to subscribe for and purchase, and the Company desires to issue and sell, certain number of Ordinary Shares (as defined below) pursuant to the terms and conditions set forth in this Agreement;

WHEREAS, the Purchaser desires to subscribe for and purchase, and the Company desires to issue and sell, the Warrants (as defined below), in the form attached hereto as Exhibit A, pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Parties hereto, intending to be legally bound, agrees as follows:

### ARTICLE I DEFINITION AND INTERPRETATION

#### Section 1.01 Definition, Interpretation and Rules of Construction

(a) As used in this Agreement, the following terms have the following meanings:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; *provided* that none of the Company, nor any of its Subsidiaries shall be considered an Affiliate of the Purchaser. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have correlative meanings.

"Applicable Law" means, with respect to any Person, any transnational, domestic or foreign, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

"Board" means the board of directors of the Company.

"Business Day" means any day other than a Saturday, Sunday or another day on which commercial banks in the state of New York are required or authorized by law or executive order to be closed.

"Company Fundamental Warranties" means any representations and warranties of the Company contained in Section 4.01(a) to 4.01(j).

"Company SEC Documents" means all registration statements, proxy statements and other statements, reports, schedules, forms and other documents required to be filed or furnished by the Company with the SEC pursuant to the Exchange Act and the Securities Act and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein, in each case, filed or furnished with the SEC.

"Condition" means any condition to any Party's obligation to effect the Closing as set forth in Article III, and collectively, the "Conditions."

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"Governmental Authority" means any supranational, national, provincial, state, municipal, local or other government, whether U.S. or any instrumentality, subdivision, administrative agency or commission thereof, court, other governmental authority or regulatory body or instrumentality, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority or any self-regulatory agency (including any stock exchange).

"Material Adverse Effect" with respect to a Party means any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results in or would reasonably be expected to result in a material adverse change in or a material adverse effect on (i) the financial condition, business or operations of such Party and its Subsidiaries taken as a whole, or (ii) the ability of such Party to consummate the transactions contemplated by the Transaction Agreements and to timely perform its obligations hereunder and thereunder; *provided* that in determining whether a Material Adverse Effect has occurred under clause (i) above, there shall be excluded any events, facts, circumstances or occurrences relating to or arising in connection with (a) changes in generally accepted accounting principles that are generally applicable to comparable companies (to the extent not materially disproportionately affecting such Party and its Subsidiaries), (b) changes in general economic and market conditions and capital market conditions or changes affecting any of the industries in which such Party and its Subsidiaries operate generally (in each case to the extent not materially disproportionately affecting such Party and its Subsidiaries),

(c) the announcement or disclosure of this Agreement or any other Transaction Agreement or the consummation of the transactions hereunder or thereunder, or any act or omission required or specifically permitted by this Agreement and/or any other Transaction Agreement; (d) any pandemic (including the COVID-19 pandemic (or any mutation or variation of the underlying virus thereof or related health condition)), earthquake, typhoon, tornado or other natural disaster or similar force majeure event, (e) in the case of the Company, any failure to meet any internal or public projections, forecasts, or guidance, or

(f) in the case of the Company, any change in the Company's stock price or trading volume, in and of itself; *provided* further that the underlying causes giving rise to or contributing to any such change or failure under sub-clause (e) or (f) shall not be excluded in determining whether a Material Adverse Effect has occurred except to the extent such underlying causes are otherwise excluded pursuant to any of sub-clauses (a) through (d).

"Nasdaq" means The Nasdaq Stock Market.

"Ordinary Shares" means the ordinary shares, par value US\$0.00001 per share, in the share capital of the Company.

"Parties" means, collectively, the Company and the Purchaser.

"Person" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization.

"Purchaser Fundamental Warranties" means any representations and warranties of the Purchaser contained in Section 4.02(a) to Section 4.02(e).

"SEC" means the Securities and Exchange Commission of the United States of America or any other federal agency at the time administering the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended, and all of the rules and regulations promulgated thereunder.

"Subsidiary" of a Party means any organization or entity, whether incorporated or unincorporated, which is controlled by such Party and, for the avoidance of doubt, the Subsidiaries of a Party shall include any variable interest entity over which such Party or any of its Subsidiaries effects control pursuant to contractual arrangements and which is consolidated with such Party in accordance with generally accepted accounting principles applicable to such Party and any Subsidiaries of such variable interest entity.

"Subject Securities" means, collectively, the Subscription Shares and the Warrants.

"Transaction Agreements" means, collectively, this Agreement, the Warrants and each of the other agreements and documents entered into or delivered by the parties hereto or their respective Affiliates in connection with the transactions contemplated by this Agreement.

"Trading Market" means any of the following markets or exchanges on which the Ordinary Shares are listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTCQB or the OTC Markets (or any successors to any of the foregoing).

"Warrants" means the warrants and any replacement warrants to purchase Ordinary Shares of the Company at the exercise price per Ordinary Share provided therein to be issued by the Company to the Purchaser on the Closing Date in the form attached hereto as Exhibit A.

"Warrant Shares" means the Ordinary Shares that will be issued upon exercise of the Warrants pursuant to the terms set forth in the form attached hereto as Exhibit A.

(b) Each of the following terms is defined in the Section set forth opposite such term:

Agreement	Preamble
Bankruptcy and Equity Exception	Section 4.01(b)
Closing	Section 2.02(a)
Closing Date	Section 2.02(a)
Company	Preamble
Company Indemnitees	Section 6.01(b)
Deductible	Section 6.03(a)
Encumbrances	Section 4.01(d)
Indemnified Party	Section 6.02(a)
Indemnifying Party	Section 6.02(a)
Losses	Section 6.01(a)
Per Unit Purchase Price	Section 2.01
Purchase Price	Section 2.01
Purchaser	Preamble
Subscription Shares	Section 2.01
Third Party Claim	Section 6.02(b)

(c) In this Agreement, except to the extent otherwise provided or that the context otherwise requires:

(i) The words "Party" and "Parties" shall be construed to mean a party or the parties to this Agreement, and any reference to a party to this Agreement or any other agreement or document contemplated hereby shall include such party's successors and permitted assigns.

(ii) When a reference is made in this Agreement to an Article, Section, Exhibit, Schedule or clause, such reference is to an Article, Section, Exhibit, Schedule or clause of this Agreement.

(iii) The headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement.

(iv) Whenever the words "include," "includes" or "including" are used in this Agreement, they are deemed to be followed by the words "without limitation."

(v) The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement.

(vi) All terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein.

(vii) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

(viii) The use of "or" is not intended to be exclusive unless expressly indicated otherwise.

(ix) The term "\$" or "US\$" means United States Dollars.

(x) The word "will" shall be construed to have the same meaning and effect as the word "shall."

(xi) References to "law," "laws" or to a particular statute or law shall be deemed also to include any and all Applicable Law.

(xii) A reference to any legislation or to any provision of any legislation shall include any modification, amendment, re-enactment thereof, any legislative provision substituted therefor and all rules, regulations and statutory instruments issued or related to such legislation.

(xiii) References herein to any gender include the other gender.

(xiv) The parties hereto have each participated in the negotiation and drafting of this Agreement and if any ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or burdening any Party by virtue of the authorship of any of the provisions in this Agreement or any interim drafts thereof.

**ARTICLE II**  
**PURCHASE AND SALE, CLOSING**

Section 2.01 Purchase and Sale of Securities.

Upon the terms and subject to the conditions of this Agreement and subject to Applicable Laws, at Closing (as defined below), the Purchaser hereby agrees to subscribe for and purchase, and the Company hereby agrees to issue and sell to the Purchaser, the number of units, each consisting of one Ordinary Share and three warrants with each warrant entitling the holder to purchase one (1) Ordinary Share, at the Per Unit Purchase Price defined below, as set forth opposite such Purchaser's name on the signature page (with respect to such Purchaser, its "Subscription Shares" and "Warrants") for an aggregate subscription price as set forth on such Purchaser's signature page (with respect to such Purchaser, its "Purchase Price"). The Per Unit Purchase Price shall be \$0.00110, equal to fifty percent (50%) of the average closing price per ADR during a period of thirty (30) consecutive Trading Days immediately before the date of December 16, 2022 (included) divided by three hundred sixty (360), with the closing price of the American Depositary Receipts ("ADRs") reported by Bloomberg L.P. For the purpose of this Agreement, a "Trading Day" shall mean a day on which trading in the Ordinary Shares or ADRs generally occurs on the Nasdaq or, if the Ordinary Shares or ADRs are not then listed on the Nasdaq, on other principal U.S. national or regional securities exchange on which the Ordinary Shares or ADRs are then listed or, if the Ordinary Shares or ADRs are not then listed on a U.S. national or regional securities exchange, on other principal market on which the Ordinary Shares or ADRs are then traded; provided that if the Ordinary Shares or ADRs are not so listed or traded, "Trading Day" means a Business Day.

Section 2.02 Closing.

(a) Closing. Subject to satisfaction or, to the extent permissible, waiver by the Party or Parties entitled to the benefit of the relevant Conditions, of all the Conditions (other than Conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or, to the extent permissible, waiver of those Conditions at Closing), the closing of the sale and purchase of the Subject Securities pursuant to this Section 2.02(a) (the "Closing") shall take place remotely by electronic means (i) within ten (10) Business Days after the date on which the Conditions (other than the Conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or, to the extent permissible, waiver of those Conditions at the Closing) are satisfied, or (ii) on any other date as may be agreed by the Purchaser and the Company in writing (the "Closing Date"); *provided* that the Closing Date shall be no later than December 30, 2022.

(b) Payment and Delivery. At Closing,

- (i) the Purchaser shall deliver to the Company the Purchase Price in the U.S. Dollars set forth on the Purchaser's signature page pursuant to the wiring instruction set forth below.

Wiring instruction to the Company:  
Beneficiary's Name: [ ]

- (ii) the Company shall deliver to the Purchaser:

- (1) a copy of the duly executed share certificate representing the Subscription Shares registered in the name of such Purchaser (the original copy of which shall be delivered to the Purchaser as soon as practicable following the Closing Date);
- (2) an updated certified true copy of the register of members of the Company evidencing the ownership of the Subscription Shares by such Purchaser; and



(3) a copy of the Warrants in the form attached hereto as Exhibit A, duly executed by the Company.

(c) Restrictive Legend. The Purchaser's certificate representing Subscription Shares shall be endorsed with the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED WITHIN THE UNITED STATES IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR TO ANY "U.S. PERSON," AS SUCH TERM IS DEFINED IN REGULATION S UNDER THE ACT, DURING THE 40 DAYS FOLLOWING ACQUISITION OF THE SECURITY BY THE HOLDER THEREOF. ANY ATTEMPT TO TRANSFER, SELL, PLEDGE OR HYPOTHECATE THIS SECURITY IN VIOLATION OF THESE RESTRICTIONS SHALL BE VOID.

### ARTICLE III CONDITIONS TO CLOSING

#### Section 3.01 Conditions to Obligations of All Parties.

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, injunction, order or decree (in each case, whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the transactions contemplated by the Transaction Agreements.

(b) No action, suit, proceeding or investigation shall have been instituted or threatened by a Governmental Authority or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the transactions contemplated by the Transaction Agreements.

Section 3.02 Conditions to Obligations of the Purchaser. The obligations of the Purchaser to subscribe for, purchase and pay for the Subject Securities as contemplated by this Agreement are subject to the satisfaction, on or before the Closing Date, of the following conditions, any of which may be waived in writing by such Purchaser in its sole discretion:

(a) The Company Fundamental Warranties shall have been true and correct in all respects on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date). Other representations and warranties of the Company contained in Section 4.01 of this Agreement shall have been true and correct in all material respects (or, if qualified by "materiality," "Material Adverse Effect" or similar qualifications, true and correct in all respects) on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date).

(b) The Company shall have duly executed and delivered or shall have caused to be duly executed and delivered each Transaction Agreement to which it is a party to the Purchaser at or prior to Closing.

Section 3.03 Conditions to Obligations of the Company. The obligations of the Company to issue and sell the Subject Securities to the Purchaser as contemplated by this Agreement are subject to the satisfaction, on or before the Closing Date, of each of the following conditions with respect to such Purchaser, any of which may be waived in writing by the Company in its sole discretion:

(a) The Purchaser Fundamental Warranties shall have been true and correct in all respects on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date). Other representations and warranties of the Purchaser contained in Section 4.02 of this Agreement shall have been true and correct in all material respects (or, if qualified by "materiality," "Material Adverse Effect" or similar qualifications, true and correct in all respects) on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date).

(b) The Purchaser shall have performed and complied with all, and not be in breach or default under any, agreements, covenants, conditions and obligations contained in this Agreement that are required to be performed or complied with on or before the Closing Date, including making the payments of the Purchase Price to the Company.

(c) The Purchaser shall have duly executed and delivered each Transaction Agreement to which it is a party to the Company at or prior to Closing.

#### **ARTICLE IV REPRESENTATIONS AND WARRANTIES**

Section 4.01 Representations and Warranties of the Company. The Company hereby represents and warrants to the Purchaser that, except as set forth in the Company SEC Documents:

(a) Due Formation. The Company is an exempted company, duly incorporated, validly existing and in good standing under the laws of the Cayman Islands.

(b) Authority: Valid Agreement. The Company has all requisite legal power and authority to execute, deliver and perform its obligations under the Transaction Agreements to which it is a party and each other agreement, certificate, document and instrument to be executed by the Company pursuant to this Agreement and each other Transaction Agreement. The execution, delivery and performance by the Company of this Agreement and each other Transaction Agreement to which it is a party and the performance by the Company of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action on the part of the Company. This Agreement has been, and each other Transaction Agreement to which it is a party will be duly executed and delivered by the Company and, assuming due authorization, execution and delivery by the relevant Purchaser(s), constitutes (or, when executed and delivered in accordance herewith will constitute) a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of law or a court of equity, and by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar law affecting creditors' rights and remedies generally (the "Bankruptcy and Equity Exception").

(c) Capitalization. The authorized capital stock of the Company is US\$250,000 divided into 25,000,000,000 Ordinary Shares with a par value of US\$0.00001 each. All issued and outstanding Ordinary Shares have been duly authorized and validly issued and are fully paid and non-assessable, are free of preemptive rights, were issued in compliance with applicable U.S. and other applicable securities laws and were not issued in violation of any preemptive right, resale right, right of first refusal, or similar right.

(d) Valid Issuance. The Subject Securities have been duly and validly authorized for issuance by the Company. The Ordinary Shares that will be issued upon exercise of the Warrants pursuant to the terms therein (the "Warrant Shares") and the Subscription Shares, when issued and delivered by the Company to the Purchaser and registered in the register of members of the Company will (i) be duly and validly issued, fully paid and non-assessable, (ii) rank *pari passu* with, and carry the same rights in all respects as, the other Ordinary Shares then in issue, (iii) be entitled to all dividends and other distributions declared, paid or made thereon, and (iv) free and clear of any pledge, mortgage, security interest, encumbrance, lien, charge, assessment, right of first refusal, right of pre-emption, third party right or interest, claim or restriction of any kind or nature, except for restrictions arising under the Securities Act or as disclosed in the Company SEC Documents or created by virtue of the transactions under this Agreement (collectively, the "Encumbrances").

(e) Non-contravention. None of the execution and the delivery of this Agreement and other Transaction Agreements, nor the consummation of the transactions contemplated hereby or thereby, will (i) violate any provision of the organizational documents of the Company, (ii) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental entity or court to which the Company is subject, or (iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of any Encumbrances under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound or to which any of the Company's or any of its Subsidiaries' assets are subject, except, in the case of (ii) and (iii) above, for such conflicts, breach, defaults, rights or violations, which would not reasonably be expected to result in a Material Adverse Effect. There is no action, suit or proceeding, pending or, to the knowledge of the Company, threatened against the Company that questions the validity of the Transaction Agreements or the right of the Company to enter into this Agreement or to consummate the transactions contemplated hereby or thereby.

( f ) Consents and Approvals. None of the execution and delivery by the Company of this Agreement or any Transaction Agreement, nor the consummation by the Company of any of the transactions contemplated hereby or thereby, nor the performance by the Company of this Agreement or other Transaction Agreements in accordance with their respective terms requires the consent, approval, order or authorization of, or registration with, or the giving notice to, any governmental or public body or authority or any third party, except such as have been or will have been obtained, made or given on or prior to the Closing Date and except for any filing or notification required to be made with the SEC or the Nasdaq regarding the issuance of the Subject Securities.

(g) Reserved.

( h ) Litigation. Except as disclosed in the Company SEC Documents and to the knowledge of the Company there are no pending or threatened actions, claims, demands, investigations, examinations, indictments, litigations, suits or other criminal, civil or administrative or investigative proceedings before or by any Governmental Authority or by any other person against the Company or any of its Subsidiaries, which would, individually or in the aggregate, have a Material Adverse Effect.

(i) Reserved.

( j ) No Additional Representations. The Company makes no representations or warranties as to any matter whatsoever except as expressly set forth in this Agreement or in any certificate delivered by the Company to the Purchaser in accordance with the terms thereof.

Section 4.02 Representations and Warranties of The Purchaser. The Purchaser hereby represents and warrants as of the date hereof and as of the Closing Dates to the Company as follows (unless as of a specific date therein):

(a) Organization; Authority. The Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Agreements and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Agreements and performance by the Purchaser of the transactions contemplated by the Transaction Agreements have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of the Purchaser. Each Transaction Agreement to which it is a party has been duly executed by the Purchaser, and when delivered by the Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of the Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account. The Purchaser is acquiring the Subject Securities as principal for its own account and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Subject Securities (this representation and warranty not limiting the Purchaser's right to sell the Subject Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). The Purchaser is acquiring the Subject Securities hereunder in the ordinary course of its business.

(c) Purchaser Status.

i. The Purchaser is not a "U.S. person" as defined in Rule 902 of Regulation S. Such Purchaser has not been subject to any "directed selling efforts" within the meaning of Rule 903 of Regulation S under the Securities Act in connection with its execution of this Agreement. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, either:

(i) an "accredited investor" as defined in Rule 501 under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act.

(d) Experience of The Purchaser. The Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Subject Securities, and has so evaluated the merits and risks of such investment. The Purchaser is able to bear the economic risk of an investment in the Subject Securities and, at the present time, is able to afford a complete loss of such investment.

(e) Access to Information. The Purchaser acknowledges that it has had the opportunity to review the Transaction Agreements (including all exhibits and schedules thereto) and the Company SEC Documents and has been afforded, (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Subject Securities and the merits and risks of investing in the Subject Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

## ARTICLE V OTHER AGREEMENTS OF THE PARTIES

Section 5.01 Reserved.

Section 5.02 Distribution Compliance Period. The Purchaser agrees not to resell, pledge or transfer any of its Subscription Shares within the United States or to any U.S. Person, as each of those terms is defined in Regulation S, during the forty (40) days following its Closing Date.

Section 5.03 Further Assurances. From the date of this Agreement until the Closing Date, the Company and such Purchaser shall use their reasonable best efforts to fulfill or obtain the fulfillment of the conditions precedent to the consummation of the transactions contemplated hereby with respect to such Purchaser.

Section 5.04 Reservation of Shares. The Company shall ensure that it has sufficient number of duly authorized Ordinary Shares to comply with its obligations to issue the Subscription Shares and the Warrant Shares pursuant to the terms of the Transaction Agreements.

Section 5.05 Reserved.

Section 5.06 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other

transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

Section 5.07 Securities Laws Disclosure: Publicity. Within the time required by the Exchange Act, the Company shall file a Current Report on Form 6-K, including the Transaction Agreements as exhibits thereto, with the SEC.

Section 5.08 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that neither it, nor any other Person acting on its behalf, will provide the Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information.

## **ARTICLE VI INDEMNIFICATION**

### **Section 6.01 Indemnification.**

(a) Indemnification by the Company. From and after the Closing Date and subject to Section 6.03, the Company shall indemnify and hold the Purchaser harmless from and against any losses, claims, damages, liabilities, judgments, fines, obligations, cost and expenses, including but not limited to any investigative, legal and other expenses (collectively, "Losses") incurred by such Purchaser as a result of or arising out of: (i) breach of any representation or warranty of the Company contained in Section 4.01; or (ii) violation or nonperformance, partial or total, of any covenant or agreement of the Company contained in this Agreement.

(b) Indemnification by the Purchaser. From and after the Closing Date and subject to Section 6.03, the Purchaser shall indemnify and hold the Company, its Affiliates and their respective directors, officers, agents, successors and assigns (the "Company Indemnitees") harmless from and against any Losses incurred by any Company Indemnitee as a result of or arising out of: (i) breach of any representation or warranty of such Purchaser contained in Section 4.02; or (ii) violation or nonperformance, partial or total, of any covenant or agreement of such Purchaser contained in this Agreement.

(c) The amount of any and all Losses under this Article VI shall be determined net of any insurance or other indemnification proceeds received by the Indemnified Party or its Affiliates in connection with the facts giving rise to the right of indemnification and any increased insurance costs resulting from such claim, including any retroactive or prospective premium adjustments associated with such coverage, as such amounts are determined in accordance with those policies and programs generally applicable from time to time, and only after first applying any available insurance to the portion of a Loss that is not indemnified hereunder.

### **Section 6.02 Procedures Relating to Indemnification.**

(a) Any party seeking indemnification under Section 6.01 (an "Indemnified Party") shall promptly give the Party from whom indemnification is being sought (an "Indemnifying Party") notice of any matter which such Indemnified Party has determined has given or would reasonably be expected to give rise to a right of indemnification under this Agreement stating in reasonable detail the factual basis of the claim to the extent known by the Indemnified Party, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises; *provided* that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VI except to the extent the Indemnifying Party is materially prejudiced by such failure. With respect to any recovery or indemnification sought by an Indemnified Party from the Indemnifying Party that does not involve a Third Party Claim, if the Indemnifying Party does not notify the Indemnified Party within thirty (30) days from its receipt of the notice from the Indemnified Party that the Indemnifying Party disputes such claim, the Indemnifying Party shall be deemed to have accepted and agreed with such claim.

(b) If an Indemnified Party shall receive notice of any claim or demand asserted by a third party (each, a "Third Party Claim") against it or which may give rise to a claim for Loss under this Article VI, within thirty (30)

days of the receipt of such notice, the Indemnified Party shall give the Indemnifying Party notice of such Third Party Claim; *provided* that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VI except to the extent that the Indemnifying Party is materially prejudiced by such failure. If the Indemnifying Party acknowledges in writing its obligation to indemnify the Indemnified Party hereunder against any Losses that may result from such Third Party Claim, then the Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Indemnified Party within fifteen (15) days of the receipt of such notice from the Indemnified Party; *provided* that that if there exists or is reasonably likely to exist a conflict of interest that would make it inappropriate in the judgment of the Indemnified Party in its sole and absolute discretion for the same counsel to represent both the Indemnified Party and the Indemnifying Party, then the Indemnified Party shall be entitled to retain its own counsel in each jurisdiction for which the Indemnified Party determines counsel is required, at the Indemnifying Party's expense. In the event that the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party. No such Third Party Claim may be settled by the Indemnifying Party without the prior written consent of the Indemnified Party.

Section 6.03 Limitation on Liability. Absent fraud, intentional misrepresentation or willful breach:

(a) In no event shall any Indemnified Party be entitled to indemnification for any Losses arising from a claim for indemnification pursuant to Section 6.01(a)(i) (other than Company Fundamental Warranties) or 6.01(b)(i) (other than Purchaser Fundamental Warranties) unless and until the aggregate amount of all Losses suffered or incurred by the Indemnified Party thereunder exceeds five percent (5%) of the Purchase Price (in the event the Indemnified Party is a Company Indemnitee) or five percent (5%) of the Purchase Price (in the event the Indemnified Party is a Purchaser), as applicable (the "Deductible"), in which case the Indemnifying Party shall be liable only for Losses in excess of the Deductible.

(b) the maximum aggregate liabilities of the Indemnifying Party in respect of Losses suffered by the Indemnified Parties pursuant to Section 6.01(a)(i) (other than Company Fundamental Warranties) or 6.01(b)(i) (other than Purchaser Fundamental Warranties) shall not in any event be greater than the Purchase Price (in the event the Indemnified Party is a Purchaser) or the Purchase Price (in the event the Indemnified Party is a Company Indemnitee), as applicable.

(c) Reserved.

## **ARTICLE VII MISCELLANEOUS**

Section 7.01 Venue. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Agreements (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state or federal courts sitting in the Borough of Manhattan, New York, New York. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Borough of Manhattan, New York, New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Agreements), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding.

Section 7.02 Governing Law. This Agreement and all questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed in accordance with the laws of State of New York without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the State of New York to the rights and duties of the Parties hereunder.



Section 7.03 No Third Party Beneficiaries. A person who is not a party to this Agreement has no right to enforce any term of this Agreement.

Section 7.04 Amendment. This Agreement shall not be amended, changed or modified, except by another agreement in writing executed by the Parties hereto.

Section 7.05 Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, each of the parties and their respective heirs, successors and permitted assigns and legal representatives.

Section 7.06 Assignment. Neither this Agreement nor any of the rights, duties or obligations hereunder may be assigned, as between the Purchaser and the Company, without the express written consent of such Purchaser and the Company. Any purported assignment in violation of the foregoing sentence shall be null and void.

Section 7.07 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

If to the Company:

Mercurity Fintech Holding Inc.

Address: Room 1215, FIYTA Technology Building, Gaoxin South, Road One, Nanshan District, Shenzhen, 518000, Guangdong Province,  
People's Republic of China  
Email: qbit@mercurityfintech.com  
Attention: Shi Qiu

With a copy to the Company's Counsel at (which shall not constitute notice):

Address: 1185 Avenue of the Americas, 31st Floor, New York, New York 10036  
Email: hlou@SRF.LAW  
Attention: Huan Lou

If to the Purchaser: see the Purchaser's signature page.

Any Party may change its address for purposes of this Section 7.07 by giving the other Parties hereto written notice of the new address in the manner set forth above. For the avoidance of doubt, only notice delivered to the address and person of the Parties to this Agreement shall constitute effective notice to such Party for the purposes of this Agreement.

Section 7.08 Entire Agreement. This Agreement and the other Transaction Agreements including the schedules and exhibits hereto and thereto constitutes the entire understanding and agreement between the Parties with respect to the matters covered hereby and thereby, and all prior agreements and understandings, oral or in writing, if any, between the Parties with respect to the matters covered hereby and thereby are merged and superseded by this Agreement and the other Transaction Agreements.

Section 7.09 Severability. If any provisions of this Agreement shall be adjudicated to be illegal, invalid or unenforceable in any action or proceeding whether in its entirety or in any portion, then such provision shall be deemed amended, if possible, or deleted, as the case may be, from the Agreement in order to render the remainder of the Agreement and any provision thereof both valid and enforceable, and all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

Section 7.10 Fees and Expenses. The expenses incurred in connection with the negotiation, preparation and execution of this Agreement and other Transaction Agreements and the transactions contemplated hereby and thereby, including fees and expenses of attorneys, accountants, consultants and financial advisors, shall be the responsibility of the Party incurring such expenses.

Section 7.11 Reserved.

Section 7.12 Reserved.

Section 7.13 Termination.

(a) This Agreement shall automatically terminate as between the Company and the Purchaser upon the earliest to occur of:

(i) the written consent of each of the Company and such Purchaser; or

(ii) by the Company or such Purchaser in the event that any Governmental Authority shall have issued a judgment or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by the Transaction Agreements and such judgment or other action shall have become final and non-appealable.

(b) Upon the termination of this Agreement, this Agreement will have no further force or effect, except for the provisions of Sections 7.02 and 7.07 hereof, which shall survive any termination under this Section 7.13; *provided* that neither the Company nor the Purchaser shall be relieved or released from any liabilities or damages arising out of (i) fraud or (ii) any breach of this Agreement prior to such termination.

Section 7.14 Headings. The headings of the various articles and sections of this Agreement are inserted merely for the purpose of convenience and do not expressly or by implication limit, define or extend the specific terms of the section so designated.

Section 7.15 Execution in Counterparts. For the convenience of the Parties and to facilitate execution, this Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. Signatures in the form of facsimile or electronically imaged "PDF" shall be deemed to be original signatures for all purposes hereunder.

Section 7.16 Reserved.

Section 7.17 Waiver. No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy.

Section 7.18 Adjustment of Share Numbers. If there is a subdivision, split, stock dividend, combination, reclassification or similar event with respect to any of the ordinary shares referred to in this Agreement, then, in any such event, the numbers and types of shares referred to in this Agreement shall be equitably adjusted as appropriate to the number and types of shares of such stock that a holder of such number of shares of such stock would own or be entitled to receive as a result of such event of such holder had held such number of shares immediately prior to the record date for, or effectiveness of, such event.

*[Signature pages follow]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first above written.

**Mercurity Fintech Holding Inc.**

By: /s/  
Name: Shi Qiu  
Title: Chief Executive Officer

*[Signature Page to Securities Purchase Agreement]*

*[Signature Page to Securities Purchase Agreement]*

**EXHIBIT A**  
**ORDINARY SHARE PURCHASE WARRANTS**

Warrant No.: [ ]

Date of Issuance: December 23, 2022 (the "**Issuance Date**")

**WARRANT TO PURCHASE ORDINARY SHARES  
OF  
MERCURY FINTECH HOLDING INC.**

This Warrant (the "**Warrant**") certifies that, for value received, Hanqi Li and/or such entity that such person may designate in accordance with the Securities Purchase Agreement (as defined below) shall collectively be referred to as the "**Holder**") is entitled to purchase 4,545,454,546 ordinary shares, with par value US\$0.00001 per share (the "**Ordinary Shares**") of Mercury Fintech Holding Inc., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "**Company**"), on the terms set forth herein.

This Warrant is issued pursuant to a Securities Purchase Agreement (the "**Purchase Agreement**") dated as of December 23, 2022 and entered into among the Company, the Holder and certain other parties thereto. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Purchase Agreement.

1. **Purchase of Shares.** Subject to the terms and conditions hereinafter set forth, the Company hereby grants the Holder the right to purchase from the Company up to 13,636,363,638 Ordinary Shares (the "**Warrant Shares**"), equal to 300% of the amount of the Ordinary Shares that the Holder has purchased pursuant to the Purchase Agreement, at the Exercise Price (as defined below), subject to adjustments and conditions as provided herein.

2. **Exercise.**

- (a) **Exercise Price.** Unless otherwise mutually agreed by the Holder and the Company, and subject to adjustments and conditions as provided herein, the per share purchase price for the Warrant Shares shall be US\$ 1/360th per ordinary share subject to adjustments specified in Section 4 of this Warrant (the "**Exercise Price**").

Notwithstanding any adjustment made in accordance with this Warrant or anything to the contrary in this Warrant, the aggregate Exercise Price shall in no event be less than the aggregate par value of the Warrant Shares at the time of exercise (the "**Minimum Consideration**").

- (b) **Exercise Period.** Unless otherwise agreed by the Holder and the Company, this Warrant is exercisable, in whole but not in part, by the Holder for a period of three years (the "**Exercise Period**") commencing on the Issuance Date, provided that i) the closing price of the American Depositary Receipts (the "ADRs"), each representing 360 ordinary shares, is one dollar (\$1.00) or more on each day during a period of at least twenty (20) consecutive Trading Days after not including the Issuance Date, if and with the closing price of the ADRs is being reported by Bloomberg L.P. and the ADRs are traded on a

U.S. national or regional securities exchange, or ii) the closing price of the ordinary shares is one/three hundred sixtieth (\$1/360th) or more on each day during a period of at least twenty (20) consecutive Trading Days after not including the Issuance Date, if and with the closing price of the ordinary shares is being reported by Bloomberg L.P. and the ordinary shares are traded on a U.S. national or regional securities exchange. For the purpose of this Warrant, "**Trading Day**" shall mean a day on which trading in the Ordinary Shares generally occurs on the Nasdaq or, if the Ordinary Shares are not then listed on the Nasdaq, on other principal U.S. national or regional securities exchange on which the Ordinary Shares are then listed or, if the Ordinary Shares are not then listed on a U.S. national or regional securities exchange, on other principal market on which the Ordinary Shares are then traded; provided that if the Ordinary Shares are not so listed or traded, "Trading Day" means a Business Day.

(c) **Form of Payment.** Subject to Sections 2(a) and 2(d), the aggregate Exercise Price for the Warrant Shares may be settled no later than the close of business on the fifth (5<sup>th</sup>) Business Day following the receipt of the Notice of Exercise (as defined below) by the Company from the Holder, by wire transfer of immediately available funds in U.S. dollars to such bank account designated in writing by the Company.

(d) **Cashless Exercise.** If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the issuance of the Warrant Shares to the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing  $[(A-B) (X)]$  by (A), where:

(A) = as applicable: (i) the closing price on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is both executed and delivered pursuant to Section 9 hereof on a day that is not a Trading Day, (ii) the closing price on such Trading Day if the Notice of Exercise is both executed and delivered pursuant to Section 9 hereof on a Trading Day prior to the closing of "regular trading hours" (as defined in Rule 600(b) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, or (iii) the closing price on the Trading Day immediately after the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 9 hereof after the close of "regular trading hours" on such Trading Day;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the characteristics of the Warrants being exercised, and the holding period of



the Warrant Shares being issued may be tacked on to the holding period of this Warrant. The Company agrees not to take any position contrary to this Section 2(d).

**(e) Issuance of Certificates; Acknowledgement.** The exercise of this Warrant shall be effected by the delivery of this Warrant, together with a duly executed copy of the Notice of Exercise in the form attached hereto as Exhibit A, to the Company (the "**Notice of Exercise**") and the payment of the Exercise price in accordance with Section 2(c) or without payment pursuant to Section 2(d). The Company agrees that the Warrant Shares purchased under this Warrant shall be and are deemed to be issued to the Holder as the record owner of such shares as of the close of business on the date the aggregate Exercise Price for the Warrant Shares is paid to the Company. The Company shall deliver to the Holder within five (5) Business Days after its receipt of the executed Notice of Exercise: (i) a duly executed share certificate representing the Warrant Shares, and (ii) a certified true copy of the updated register of members of the Company reflecting the Holder's ownership of the Warrant Shares, provided, however, that the aggregate Exercise Price shall be paid in accordance with Section 2(c) or the Warrants are exercised in a cashless manner as set forth in Section 2(d).

**3. Reservation of Shares.** The Company covenants and agrees that all Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance and after payment of the aggregate Exercise Price in accordance with Section 2(c) or without payment pursuant to Section 2(d), be duly authorized, validly issued, fully paid and non-assessable and free from all preemptive rights of any shareholder and free of all taxes, liens and charges with respect to the issue thereof, except as provided under Applicable Laws, this Warrant and the memorandum and articles of association of the Company then in effect. The Company further covenants and agrees that the Company will, at all times during the Exercise Period, have authorized and reserved a sufficient number of Ordinary Shares to provide for the exercise of the rights represented by this Warrant.

**4. Adjustment of Exercise Price and Warrant.** The Exercise Price and/or Warrant shall be subject to adjustment from time to time as follows:

**(a) Share Splits, Share Subdivisions, Dividends or Combinations** In the event the Company shall at any time, or from time to time, effect a split or subdivision of the outstanding Ordinary Shares, the Exercise Price of this Warrant shall be proportionally decreased and the number of Ordinary Shares issuable upon exercise of this Warrant (or any shares or other securities at the time issuable upon exercise of this Warrant) shall be proportionally increased to reflect any such share split or subdivision of the Ordinary Shares. Conversely, if the Company shall at any time, or from time to time, combine the outstanding Ordinary Shares into a smaller number of shares, the Exercise Price of this Warrant shall be proportionally increased and the number of Ordinary Shares issuable upon exercise of this Warrant (or any shares or other securities at the time issuable upon exercise of this Warrant) shall be proportionally decreased to reflect any such combination of the Ordinary Shares. Any adjustment under this paragraph shall become effective at the close of business on the date the share split, subdivision or combination becomes effective.

- (b) Dividends or Distributions of Shares or Other Securities or Property** In the event the Company shall make or issue, or shall fix a record date for the determination of eligible holders entitled to receive, a dividend or other distribution with respect to the Ordinary Shares (or any shares or other securities at the time issuable upon exercise of this Warrant) payable in (i) shares or other securities of the Company; or (ii) assets (excluding cash dividends paid or payable solely out of retained earnings), then, in each such case, the Holder on exercise hereof at any time after the consummation, effective date or record date of such dividend or other distribution, shall not be entitled to receive, in addition to the Ordinary Shares (or such other shares or securities) issuable on such exercise prior to such date, the additional shares or other securities of the Company or such other assets during such period giving effect to all adjustments called for by this Section 4(b).
- (c) Reclassification.** If the Company, by reclassification of shares or otherwise, shall change any of the shares as to which purchase rights under this Warrant exist into the same or a different number of shares of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of shares as would have been issuable as the result of such change with respect to the shares that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Exercise Price therefor shall be equitably adjusted, all subject to further adjustment as provided in this Section 4.

**(d) Capital Reorganization, Merger or Consolidation** In case of any reorganization of the share capital of the Company (other than a combination, reclassification or subdivision of shares otherwise provided for herein), or any merger or consolidation of the Company with or into another corporation, or the sale or transfer of all or substantially all the assets of the Company then, and in each such case, as a part of such reorganization, merger, consolidation, sale or transfer, lawful provision shall be made so that the Holder shall thereafter be entitled to receive, upon exercise of this Warrant, during the period specified herein and upon payment in accordance with Section 2(c) or without payment pursuant to Section 2(d), the number of shares or other securities or property of the successor corporation resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the shares deliverable upon exercise of this Warrant would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Warrant had been exercised immediately before such reorganization, merger, consolidation, sale or transfer, all subject to further adjustment as provided in this Section 4. The foregoing provisions of this Section 4(d) shall similarly apply to successive reorganizations, consolidations, mergers, sales and transfers of the shares or securities of any other corporation that are at the time receivable upon the exercise of this Warrant. In all events, appropriate adjustment (as determined in good faith by the Company's board of directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the transaction, to the end that the provisions of this Warrant shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant.

**(e) Notice of Adjustment.** The Company shall promptly give the Holder of this Warrant written notice of each adjustment or readjustment of the Exercise Price or the number of Warrant Shares or other securities issuable upon exercise of this Warrant. The notice shall describe the adjustment or readjustment and show in reasonable detail the facts on which the adjustment or readjustment is based.

**5. Transfers of Warrant.** This Warrant and all rights and obligations hereunder may not be transferred or assigned in whole or in part by the Holder (subject to compliance with the Securities Act, other applicable securities laws and constitutional documents of the Company) without the prior written consent of the Company.

**6. Loss or Mutilation.** Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the event of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the event of any such mutilation upon surrender and cancellation of such Warrant, the Company will execute and deliver a new Warrant of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant.

**7. Amendment and Waiver.** Any term of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

**8. Successors and Assigns.** This Warrant shall be binding upon and inure to the benefit of the Company, the Holder and their respective successors and permitted assigns.

**9. Notices.** Any notice required or permitted pursuant to this Warrant shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to the address as shown below (or at such other address as such party may designate by fifteen (15) days' advance written notice to the Company or Holder, as applicable, given in accordance with this Section 9). Where such notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a confirmation of delivery, and to have been effected at the expiration of sixty (60) hours after the letter containing the same is sent as aforesaid. Where a notice is sent by facsimile, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as provided above.

If notice to the Company:

Mercurity Fintech Holding Inc.

Address: Room 1215, FIYTA Technology Building, Gaoxin South, Road One, Nanshan District, Shenzhen, 518000, Guangdong Province, People's Republic of China

Email: [qbit@mercurityfintech.com](mailto:qbit@mercurityfintech.com)

Attention: Shi Qiu

With a copy to the Company's Counsel at (which shall not constitute notice):

Address: 1185 Avenue of the Americas, 31st Floor, New York, New York 10036

Email: [hlou@SRF.LAW](mailto:hlou@SRF.LAW)

Attention: Huan Lou

If notice to the Holder: see the Purchase Agreement

**10. Headings.** The section and subsection headings of this Warrant are inserted for convenience only and shall not constitute a part of this Warrant in construing or interpreting any provision hereof.

**11. Governing Law** This Warrant shall be governed by and construed in accordance with the laws of the State of New York without giving effect to any choice or conflict of law provision or rule thereof.

**12. Venue.** Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Warrant and any other Transaction Agreements (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state or federal courts sitting in the Borough of Manhattan, New York, New York. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Borough of Manhattan, New York, New York for the adjudication of any dispute hereunder or in

connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Agreements), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding.

**13. Interpretation.** For all purposes of this Warrant, except as otherwise expressly provided, (i) the term "or" is not exclusive; (ii) the terms defined herein and any capitalized terms used herein without definition shall include the plural as well as the singular, (iii) unless otherwise provided for, all references in this Warrant to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the body of this Warrant, (iv) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Warrant as a whole and not to any particular Section or other subdivision, and (vi) "include," "including," "are inclusive of" and similar expressions are not expressions of limitation and shall be construed as if followed by the expression "without limitation".

**14. No Presumption.** The parties acknowledge that any applicable law that would require interpretation of any claimed ambiguities in this Warrant against the party that drafted it has no application and is expressly waived. If any claim is made by a party relating to any conflict, omission or ambiguity in the provisions of this Warrant, no presumption or burden of proof or persuasion will be implied because this Warrant was prepared by or at the request of any party or its counsel.

**15. Counterparts.** This Warrant may be executed in two or more counterparts and may be delivered by electronic PDF or facsimile transmission, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

**16. Severability.** If one or more provisions of this Warrant are held to be unenforceable under any applicable law, such provision shall be excluded from this Warrant and the balance of this Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

**17. Entire Agreement.** This Agreement together with the other instruments and agreements referenced herein constitutes the entire agreement between the Parties with respect to the subject matter hereof.

*[The remainder of this page has been intentionally left blank.]*

IN WITNESS WHEREOF, the Company caused this Warrant to be executed by a director thereunto duly authorized.

**COMPANY:**

**Mercurity Fintech Holding Inc.**

By: /s/

Name: Shi Qiu

Title: Chief Executive Officer

*[Signature Page to Warrant]*

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**SECURITIES PURCHASE AGREEMENT**

Dated January 31, 2023

among

**Mercurity Fintech Holding Inc.**

and

**The Purchaser Set Forth on the Signature Page**

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## SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (this "Agreement"), dated January 31, 2023 (the "Effective Date") is entered into by and among (i) Mercury Fintech Holding Inc., an exempted company with limited liability organized and existing under the laws of the Cayman Islands (the "Company"), and (ii) the Person whose name is set forth on the signature page hereto (the "Purchaser").

### RECITALS

WHEREAS, the Purchaser desires to subscribe for and purchase, and the Company desires to issue and sell, an Unsecured Convertible Promissory Note (the "Note") in the principal amount of nine million dollars (\$9,000,000) pursuant to the terms and conditions set forth in this Agreement and Note, in the form attached hereto as Exhibit A;

WHEREAS, at the election of the holder of the Note, such Note shall be convertible into certain number of ordinary shares of the Company (the "Conversion Shares"), pursuant to the terms and conditions set forth in this Agreement and Note.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Parties hereto, intending to be legally bound, agrees as follows:

### ARTICLE I

#### DEFINITION AND INTERPRETATION

##### Section 1.01 Definition, Interpretation and Rules of Construction

(a) As used in this Agreement, the following terms have the following meanings:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; *provided* that none of the Company, nor any of its Subsidiaries shall be considered an Affiliate of the Purchaser. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have correlative meanings.

"Applicable Law" means, with respect to any Person, any transnational, domestic or foreign, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

"Board" means the board of directors of the Company.

"Business Day" means any day other than a Saturday, Sunday or another day on which commercial banks in the state of New York are required or authorized by law or executive order to be closed.

"Company Fundamental Warranties" means any representations and warranties of the Company contained in Section 4.01(a) to 4.01(j).

"Company SEC Documents" means all registration statements, proxy statements and other statements, reports, schedules, forms and other documents required to be filed or furnished by the Company with the SEC pursuant to the Exchange Act and the Securities Act and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein, in each case, filed or furnished with the SEC.

"Condition" means any condition to any Party's obligation to effect the Closing as set forth in Article III, and collectively, the "Conditions."

"Conversion Shares" means the Ordinary Shares issuable pursuant to the terms of the Notes.

"Convertible Securities" shall have the meaning assigned to such term in the Notes.

"Effective Date" means the date that the initial Registration Statement registering for resale all Conversion Shares has been declared effective by the Commission.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"Governmental Authority" means any supranational, national, provincial, state, municipal, local or other government, whether U.S. or any instrumentality, subdivision, administrative agency or commission thereof, court, other governmental authority or regulatory body or instrumentality, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority or any self-regulatory agency (including any stock exchange).

"Material Adverse Effect" with respect to a Party means any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results in or would reasonably be expected to result in a material adverse change in or a material adverse effect on (i) the financial condition, business or operations of such Party and its Subsidiaries taken as a whole, or (ii) the ability of such Party to consummate the transactions contemplated by the Transaction Agreements and to timely perform its obligations hereunder and thereunder; *provided* that in determining whether a Material Adverse Effect has occurred under clause (i) above, there shall be excluded any events, facts, circumstances or occurrences relating to or arising in connection with (a) changes in generally accepted accounting principles that are generally applicable to comparable companies (to the extent not materially disproportionately affecting such Party and its Subsidiaries), (b) changes in general economic and market conditions and capital market conditions or changes affecting any of the industries in which such Party and its Subsidiaries operate generally (in each case to the extent not materially disproportionately affecting such Party and its Subsidiaries), (c) the announcement or disclosure of this Agreement or any other Transaction Agreement or the consummation of the transactions hereunder or thereunder, or any act or omission required or specifically permitted by this Agreement and/or any other Transaction Agreement, (d) any pandemic (including the COVID-19 pandemic (or any mutation or variation of the underlying virus thereof or related health condition)), earthquake, typhoon, tornado or other natural disaster or similar force majeure event, (e) in the case of the Company, any failure to meet any internal or public projections, forecasts, or guidance, or (f) in the case of the Company, any change in the Company's stock price or trading volume, in and of itself; *provided* further that the underlying causes giving rise to or contributing to any such change or failure under sub-clause (e) or (f) shall not be excluded in determining whether a Material Adverse Effect has occurred except to the extent such underlying causes are otherwise excluded pursuant to any of sub-clauses (a) through (d).

"Nasdaq" means The Nasdaq Stock Market.

"Ordinary Shares" means the ordinary shares, par value US\$0.00001 per share, in the share capital of the Company.

"Parties" means, collectively, the Company and the Purchaser.

"Person" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization.

"Purchaser Fundamental Warranties" means any representations and warranties of the Purchaser contained in Section 4.02(a) to Section 4.02(e).

"SEC" means the Securities and Exchange Commission of the United States of America or any other federal agency at the time administering the Securities Act.

"Securities" means individually or collectively the Notes and the Conversion Shares.

"Securities Act" means the Securities Act of 1933, as amended, and all of the rules and regulations promulgated thereunder.

"Subscription Amount" means, as to each Purchaser, the aggregate amount to be paid for Notes purchased hereunder as specified below such Purchaser's name on the signature page of this Agreement and next to the heading "Subscription Amount" in immediately available funds. The aggregate "Subscription Amount" shall be \$9,000,000.00.

"Subsidiary" of a Party means any organization or entity, whether incorporated or unincorporated, which is controlled by such Party and, for the avoidance of doubt, the Subsidiaries of a Party shall include any variable interest entity over which such Party or any of its Subsidiaries effects control pursuant to contractual arrangements and which is consolidated with such Party in accordance with generally accepted accounting principles applicable to such Party and any Subsidiaries of such variable interest entity.

"Subject Securities" means, collectively, the Note, if applicable, Conversion Shares.

"Transaction Agreements" means, collectively, this Agreement, the Note and each of the other agreements and documents entered into or delivered by the parties hereto or their respective Affiliates in connection with the transactions contemplated by this Agreement.

"Trading Market" means any of the following markets or exchanges on which the Ordinary Shares are listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTCQB or the OTC Markets (or any successors to any of the foregoing).

(b) Each of the following terms is defined in the Section set forth opposite such term:

Agreement	Preamble
Bankruptcy and Equity Exception	Section 4.01(b)
Closing	Section 2.02(a)
Closing Date	Section 2.02(a)
Company	Preamble
Company Indemnitees	Section 6.01(b)
Deductible	Section 6.03(a)
Encumbrances	Section 4.01(d)
Indemnified Party	Section 6.02(a)
Indemnifying Party	Section 6.02(a)
Losses	Section 6.01(a)
Per Unit Subscription Amount	Section 2.01
Suscription Amount	Section 2.01
Purchaser	Preamble
Conversion Shares	Section 2.01
Third Party Claim	Section 6.02(b)

(c) In this Agreement, except to the extent otherwise provided or that the context otherwise requires:

(i) The words "Party" and "Parties" shall be construed to mean a party or the parties to this Agreement, and any reference to a party to this Agreement or any other agreement or document contemplated hereby shall include such party's successors and permitted assigns.

(ii) When a reference is made in this Agreement to an Article, Section, Exhibit, Schedule or clause, such reference is to an Article, Section, Exhibit, Schedule or clause of this Agreement.

(iii) The headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement.

(iv) Whenever the words "include," "includes" or "including" are used in this Agreement, they are deemed to be followed by the words "without limitation."

(v) The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement.

(vi) All terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein.

(vii) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

(viii) The use of "or" is not intended to be exclusive unless expressly indicated otherwise.

(ix) The term "\$" or "US\$" means United States Dollars.

(x) The word "will" shall be construed to have the same meaning and effect as the word "shall."

(xi) References to "law," "laws" or to a particular statute or law shall be deemed also to include any and all Applicable Law.

(xii) A reference to any legislation or to any provision of any legislation shall include any modification, amendment, re-enactment thereof, any legislative provision substituted therefor and all rules, regulations and statutory instruments issued or related to such legislation.

(xiii) References herein to any gender include the other gender.

(xiv) The parties hereto have each participated in the negotiation and drafting of this Agreement and if any ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or burdening any Party by virtue of the authorship of any of the provisions in this Agreement or any interim drafts thereof.

**ARTICLE II**  
**PURCHASE AND SALE; CLOSING**

Section 2.01     Purchase and Sale of Securities.

Upon the terms and subject to the conditions of this Agreement and subject to Applicable Laws, at Closing (as defined below), the Purchaser hereby agrees to subscribe for and purchase, and the Company hereby agrees to issue and sell to the Purchaser, the Note in consideration of the Purchaser's payment of the Subscription Amount as set forth on such Purchaser's signature page. At the election of the holder of the Note, such Note shall be convertible into certain number of ordinary shares of the Company (the "Conversion Shares", as defined in the Note) at the Conversion Share Price (as defined in the Note).

Section 2.02     Closing.

(a)     Closing. Subject to satisfaction or, to the extent permissible, waiver by the Party or Parties entitled to the benefit of the relevant Conditions, of all the Conditions (other than Conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or, to the extent permissible, waiver of those Conditions at Closing), the closing of the sale and purchase of the Subject Securities pursuant to this Section 2.02(a) (the "Closing") shall take place remotely by electronic means (i) within ten (10) Business Days after the date on which the Conditions (other than the Conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or, to the extent permissible, waiver of those Conditions at the Closing) are satisfied, or (ii) on any other date as may be agreed by the Purchaser and the Company in writing (the "Closing Date"); *provided* that the Closing Date shall be no later than February 3, 2023.

(b)     Payment and Delivery. At Closing,

- (i) the Purchaser shall deliver to the Company the Subscription Amount in the U.S. Dollars set forth on the Purchaser's signature page pursuant to the wiring instruction set forth below.

Wiring instruction to the Company:

[ ]

- (ii) the Company shall deliver to the Purchaser:

(1) a copy of the duly executed Note to the name of such Purchaser (the original copy of which shall be delivered to the Purchaser as soon as practicable following the Closing Date).



- (c) Restrictive Legend. The Note shall bear the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS SECURITY MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED WITHIN THE UNITED STATES IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR TO ANY "U.S. PERSON," AS SUCH TERM IS DEFINED IN REGULATIONS UNDER THE ACT, DURING THE 40 DAYS FOLLOWING ACQUISITION OF THE SECURITY BY THE HOLDER THEREOF. ANY ATTEMPT TO TRANSFER, SELL, PLEDGE OR HYPOTHECATE THIS SECURITY IN VIOLATION OF THESE RESTRICTIONS SHALL BE VOID.

### ARTICLE III CONDITIONS TO CLOSING

#### Section 3.01 Conditions to Obligations of All Parties.

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, injunction, order or decree (in each case, whether temporary, preliminary or permanent) that is in effect and restrains, enjoins, prevents, prohibits or otherwise makes illegal the consummation of the transactions contemplated by the Transaction Agreements.

(b) No action, suit, proceeding or investigation shall have been instituted or threatened by a Governmental Authority or any third party that seeks to restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the transactions contemplated by the Transaction Agreements.

Section 3.02 Conditions to Obligations of Purchaser. The obligations of the Purchaser to subscribe for, purchase and pay for the Subject Securities as contemplated by this Agreement are subject to the satisfaction, on or before the Closing Date, of the following conditions, any of which may be waived in writing by such Purchaser in its sole discretion:

(a) The Company Fundamental Warranties shall have been true and correct in all respects on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date). Other representations and warranties of the Company contained in Section 4.01 of this Agreement shall have been true and correct in all material respects (or, if qualified by "materiality," "Material Adverse Effect" or similar qualifications, true and correct in all respects) on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date).

(b) The Company shall have duly executed and delivered or shall have caused to be duly executed and delivered each Transaction Agreement to which it is a party to the Purchaser at or prior to Closing.

Section 3.03 Conditions to Obligations of the Company. The obligations of the Company to issue and sell the Subject Securities to the Purchaser as contemplated by this Agreement are subject to the satisfaction, on or before the Closing Date, of each of the following conditions with respect to such Purchaser, any of which may be waived in writing by the Company in its sole discretion:

(a) The Purchaser Fundamental Warranties shall have been true and correct in all respects on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date). Other representations and warranties of the Purchaser contained in Section 4.02 of this Agreement shall have been true and correct in all material respects (or, if qualified by "materiality," "Material Adverse Effect" or similar qualifications, true and correct in all respects) on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date (except for representations and warranties that expressly speak as of a specified date, in which case on and as of such specified date).

(b) The Purchaser shall have performed and complied with all, and not be in breach or default under any, agreements, covenants, conditions and obligations contained in this Agreement that are required to be performed or complied with on or before the Closing Date, including making the payments of the Subscription Amount to the Company.

(c) The Purchaser shall have duly executed and delivered each Transaction Agreement to which it is a party to the Company at or prior to Closing.

#### **ARTICLE IV REPRESENTATIONS AND WARRANTIES**

Section 4.01 Representations and Warranties of the Company. The Company hereby represents and warrants to the Purchaser that, except as set forth in the Company SEC Documents:

(a) Due Formation. The Company is an exempted company, duly incorporated, validly existing and in good standing under the laws of the Cayman Islands.

(b) Authority: Valid Agreement. The Company has all requisite legal power and authority to execute, deliver and perform its obligations under the Transaction Agreements to which it is a party and each other agreement, certificate, document and instrument to be executed by the Company pursuant to this Agreement and each other Transaction Agreement. The execution, delivery and performance by the Company of this Agreement and each other Transaction Agreement to which it is a party and the performance by the Company of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action on the part of the Company. This Agreement has been, and each other Transaction Agreement to which it is a party will be duly executed and delivered by the Company and, assuming due authorization, execution and delivery by the relevant Purchaser(s), constitutes (or, when executed and delivered in accordance herewith will constitute) a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of law or a court of equity, and by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar law affecting creditors' rights and remedies generally (the "Bankruptcy and Equity Exception").

(c) Capitalization. The authorized capital stock of the Company is US\$250,000 divided into 25,000,000,000 Ordinary Shares with a par value of US\$0.00001 each. All issued and outstanding Ordinary Shares have been duly authorized and validly issued and are fully paid and non-assessable, are free of preemptive rights, were issued in compliance with applicable U.S. and other applicable securities laws and were not issued in violation of any preemptive right, resale right, right of first refusal, or similar right.

(d) Valid Issuance. The Subject Securities have been duly and validly authorized for issuance by the Company. The Ordinary Shares that will be issued upon exercise of the Note pursuant to the terms therein (the "Convertible Shares"), when issued and delivered by the Company to the Purchaser and registered in the register of members of the Company will (i) be duly and validly issued, fully paid and non-assessable, (ii) rank *pari passu* with, and carry the same rights in all respects as, the other Ordinary Shares then in issue, (iii) be entitled to all dividends and other distributions declared, paid or made thereon, and (iv) free and clear of any pledge, mortgage, security interest, encumbrance, lien, charge, assessment, right of first refusal, right of pre-emption, third party right or interest, claim or restriction of any kind or nature, except for restrictions arising under the Securities Act or as disclosed in the Company SEC Documents or created by virtue of the transactions under this Agreement (collectively, the "Encumbrances").

(e) Non-contravention. None of the execution and the delivery of this Agreement and other Transaction Agreements, nor the consummation of the transactions contemplated hereby or thereby, will (i) violate any provision of the organizational documents of the Company, (ii) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental entity or court to which the Company is subject, or (iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of or creation of any Encumbrances under, or create in any party the right to accelerate, terminate, modify, or cancel, any agreement, contract, lease, license, instrument, or other arrangement to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound or to which any of the Company's or any of its Subsidiaries' assets are subject, except, in the case of (ii) and (iii) above, for such conflicts, breach, defaults, rights or violations, which would not reasonably be expected to result in a Material Adverse Effect. There is no action, suit or proceeding, pending or, to the knowledge of the Company, threatened against the Company that questions the validity of the Transaction Agreements or the right of the Company to enter into this Agreement or to consummate the transactions contemplated hereby or thereby.

(f) Consents and Approvals. None of the execution and delivery by the Company of this Agreement or any Transaction Agreement, nor the consummation by the Company of any of the transactions contemplated hereby or thereby, nor the performance by the Company of this Agreement or other Transaction Agreements in accordance with their respective terms requires the consent, approval, order or authorization of, or registration with, or the giving notice to, any governmental or public body or authority or any third party, except such as have been or will have been obtained, made or given on or prior to the Closing Date and except for any filing or notification required to be made with the SEC or the Nasdaq regarding the issuance of the Subject Securities.

(g) Reserved.

(h) Litigation. Except as disclosed in the Company SEC Documents and to the knowledge of the Company there are no pending or threatened actions, claims, demands, investigations, examinations, indictments, litigations, suits or other criminal, civil or administrative or investigative proceedings before or by any Governmental Authority or by any other person against the Company or any of its Subsidiaries, which would, individually or in the aggregate, have a Material Adverse Effect.

(i) Reserved.

(j) No Additional Representations. The Company makes no representations or warranties as to any matter whatsoever except as expressly set forth in this Agreement or in any certificate delivered by the Company to the Purchaser in accordance with the terms thereof.

Section 4.02 Representations and Warranties of The Purchaser. The Purchaser hereby represents and warrants as of the date hereof and as of the Closing Dates to the Company as follows (unless as of a specific date therein):

(a) Organization; Authority. The Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Agreements and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Agreements and performance by the Purchaser of the transactions contemplated by the Transaction Agreements have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of the Purchaser. Each Transaction Agreement to which it is a party has been duly executed by the Purchaser, and when delivered by the Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of the Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account. The Purchaser is acquiring the Subject Securities as principal for its own account and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Subject Securities (this representation and warranty not limiting the Purchaser's right to sell the Subject Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). The Purchaser is acquiring the Subject Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. Such Purchaser is not a "U.S. person" as defined in Rule 902 of Regulation S. Such Purchaser has not been subject to any "directed selling efforts" within the meaning of Rule 903 of Regulation S under the Securities Act in connection with its execution of this Agreement. At the time the Purchaser was offered the Securities, it was, and as of the date hereof it is, either: (i) an "accredited investor" as defined in Rule 501 under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act.

(d) Experience of The Purchaser. The Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Subject Securities, and has so evaluated the merits and risks of such investment. The Purchaser is able to bear the economic risk of an investment in the Subject Securities and, at the present time, is able to afford a complete loss of such investment.

(e) Access to Information. The Purchaser acknowledges that it has had the opportunity to review the Transaction Agreements (including all exhibits and schedules thereto) and the Company SEC Documents and has been afforded, (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Subject Securities and the merits and risks of investing in the Subject Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

## **ARTICLE V OTHER AGREEMENTS OF THE PARTIES**

Section 5.01 Reserved.

Section 5.02 Distribution Compliance Period. The Purchaser agrees not to resell, pledge or transfer any of its Note and/or Conversion Shares within the United States or to any U.S. Person, as each of those terms is defined in Regulation S, during the forty (40) days following its Closing Date.

Section 5.03 Further Assurances. From the date of this Agreement until the Closing Date, the Company and such Purchaser shall use their reasonable best efforts to fulfill or obtain the fulfillment of the conditions precedent to the consummation of the transactions contemplated hereby with respect to such Purchaser.

Section 5.04 Reservation of Shares. The Company currently does not have sufficient number of duly authorized Ordinary Shares to comply with its obligations to issue the Conversion Shares pursuant to the terms of the Transaction Agreements. However, subject to the terms and conditions of the Note, the Company shall use its best efforts to cause its authorized share capital increase to allow the full conversion of the Note and exercise of the warrants issuable upon conversion of the Note by further amending its current and effective amended and restated memorandum and articles of association (the "Charter Documents") prior to the commencement of the First Election Period (as defined in the Note).

Section 5.05 Reserved.

Section 5.06 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

Section 5.07 Securities Laws Disclosure; Publicity. Within the time required by the Exchange Act, the Company shall file a Current Report on Form 6-K, including the Transaction Agreements as exhibits thereto, with the SEC.

Section 5.08 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that neither it, nor any other Person acting on its behalf, will provide the Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information.

## **ARTICLE VI INDEMNIFICATION**

Section 6.01 Indemnification.

(a) Indemnification by the Company. From and after the Closing Date and subject to Section 6.03, the Company shall indemnify and hold the Purchaser harmless from and against any losses, claims, damages, liabilities, judgments, fines, obligations, cost and expenses, including but not limited to any investigative, legal and other expenses (collectively, "Losses") incurred by such Purchaser as a result of or arising out of: (i) breach of any representation or warranty of the Company contained in Section 4.01; or (ii) violation or nonperformance, partial or total, of any covenant or agreement of the Company contained in this Agreement.

(b) Indemnification by the Purchaser. From and after the Closing Date and subject to Section 6.03, the Purchaser shall indemnify and hold the Company, its Affiliates and their respective directors, officers, agents, successors and assigns (the "Company Indemnitees") harmless from and against any Losses incurred by any Company Indemnitee as a result of or arising out of: (i) breach of any representation or warranty of such Purchaser contained in Section 4.02; or (ii) violation or nonperformance, partial or total, of any covenant or agreement of such Purchaser contained in this Agreement.

(c) The amount of any and all Losses under this Article VI shall be determined net of any insurance or other indemnification proceeds received by the Indemnified Party or its Affiliates in connection with the facts giving rise to the right of indemnification and any increased insurance costs resulting from such claim, including any retroactive or prospective premium adjustments associated with such coverage, as such amounts are determined in accordance with those policies and programs generally applicable from time to time, and only after first applying any available insurance to the portion of a Loss that is not indemnified hereunder.

Section 6.02 Procedures Relating to Indemnification.

(a) Any party seeking indemnification under Section 6.01 (an "Indemnified Party") shall promptly give the Party from whom indemnification is being sought (an "Indemnifying Party") notice of any matter which such Indemnified Party has determined has given or would reasonably be expected to give rise to a right of indemnification under this Agreement stating in reasonable detail the factual basis of the claim to the extent known by the Indemnified Party, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises; *provided* that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VI except to the extent the Indemnifying Party is materially prejudiced by such failure. With respect to any recovery or indemnification sought by an Indemnified Party from the Indemnifying Party that does not involve a Third Party Claim, if the Indemnifying Party does not notify the Indemnified Party within thirty (30) days from its receipt of the notice from the Indemnified Party that the Indemnifying Party disputes such claim, the Indemnifying Party shall be deemed to have accepted and agreed with such claim.

(b) If an Indemnified Party shall receive notice of any claim or demand asserted by a third party (each, a "Third Party Claim") against it or which may give rise to a claim for Loss under this Article VI, within thirty (30) days of the receipt of such notice, the Indemnified Party shall give the Indemnifying Party notice of such Third Party Claim; *provided* that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VI except to the extent that the Indemnifying Party is materially prejudiced by such failure. If the Indemnifying Party acknowledges in writing its obligation to indemnify the Indemnified Party hereunder against any Losses that may result from such Third Party Claim, then the Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Indemnified Party within fifteen (15) days of the receipt of such notice from the Indemnified Party; *provided* that that if there exists or is reasonably likely to exist a conflict of interest that would make it inappropriate in the judgment of the Indemnified Party in its sole and absolute discretion for the same counsel to represent both the Indemnified Party and the Indemnifying Party, then the Indemnified Party shall be entitled to retain its own counsel in each jurisdiction for which the Indemnified Party determines counsel is required, at the Indemnifying Party's expense. In the event that the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party. No such Third Party Claim may be settled by the Indemnifying Party without the prior written consent of the Indemnified Party.

Section 6.03     Limitation on Liability. Absent fraud, intentional misrepresentation or willful breach:

(a)             In no event shall any Indemnified Party be entitled to indemnification for any Losses arising from a claim for indemnification pursuant to Section 6.01(a)(i) (other than Company Fundamental Warranties) or 6.01(b)(i) (other than Purchaser Fundamental Warranties) unless and until the aggregate amount of all Losses suffered or incurred by the Indemnified Party thereunder exceeds five percent (5%) of the Subscription Amount (in the event the Indemnified Party is a Company Indemnitee) or five percent (5%) of the Subscription Amount (in the event the Indemnified Party is a Purchaser), as applicable (the "Deductible"), in which case the Indemnifying Party shall be liable only for Losses in excess of the Deductible.

(b)             the maximum aggregate liabilities of the Indemnifying Party in respect of Losses suffered by the Indemnified Parties pursuant to Section 6.01(a)(i) (other than Company Fundamental Warranties) or 6.01(b)(i) (other than Purchaser Fundamental Warranties) shall not in any event be greater than the Subscription Amount (in the event the Indemnified Party is a Purchaser) or the Subscription Amount (in the event the Indemnified Party is a Company Indemnitee), as applicable.

(c)             Reserved.

## **ARTICLE VII MISCELLANEOUS**

Section 7.01 Venue. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Agreements (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state or federal courts sitting in the Borough of Manhattan, New York, New York. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Borough of Manhattan, New York, New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Agreements), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding.

Section 7.02 Governing Law. This Agreement and all questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed in accordance with the laws of State of New York without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the State of New York to the rights and duties of the Parties hereunder.



Section 7.03 No Third Party Beneficiaries. A person who is not a party to this Agreement has no right to enforce any term of this Agreement.

Section 7.04 Amendment. This Agreement shall not be amended, changed or modified, except by another agreement in writing executed by the Parties hereto.

Section 7.05 Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, each of the parties and their respective heirs, successors and permitted assigns and legal representatives.

Section 7.06 Assignment. Neither this Agreement nor any of the rights, duties or obligations hereunder may be assigned, as between the Purchaser and the Company, without the express written consent of such Purchaser and the Company. Any purported assignment in violation of the foregoing sentence shall be null and void.

Section 7.07 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

If to the Company:

Mercurity Fintech Holding Inc.

Address: Room 1215, FIYTA Technology Building, Gaoxin South, Road One, Nanshan District, Shenzhen, 518000, Guangdong Province,  
People's Republic of China  
Email: qbit@mercurityfintech.com  
Attention: Shi Qiu

With a copy to the Company's Counsel at (which shall not constitute notice):

Address: 1185 Avenue of the Americas, 31st Floor, New York, New York 10036  
Email: hlou@SRF.LAW  
Attention: Huan Lou

If to the Purchaser(s): see the Purchaser's signature page.

Any Party may change its address for purposes of this Section 7.07 by giving the other Parties hereto written notice of the new address in the manner set forth above. For the avoidance of doubt, only notice delivered to the address and person of the Parties to this Agreement shall constitute effective notice to such Party for the purposes of this Agreement.

Section 7.08 Entire Agreement. This Agreement and the other Transaction Agreements including the schedules and exhibits hereto and thereto constitutes the entire understanding and agreement between the Parties with respect to the matters covered hereby and thereby, and all prior agreements and understandings, oral or in writing, if any, between the Parties with respect to the matters covered hereby and thereby are merged and superseded by this Agreement and the other Transaction Agreements.

Section 7.09 Severability. If any provisions of this Agreement shall be adjudicated to be illegal, invalid or unenforceable in any action or proceeding whether in its entirety or in any portion, then such provision shall be deemed amended, if possible, or deleted, as the case may be, from the Agreement in order to render the remainder of the Agreement and any provision thereof both valid and enforceable, and all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

Section 7.10 Fees and Expenses. The expenses incurred in connection with the negotiation, preparation and execution of this Agreement and other Transaction Agreements and the transactions contemplated hereby and thereby, including fees and expenses of attorneys, accountants, consultants and financial advisors, shall be the responsibility of the Party incurring such expenses.

Section 7.11 Reserved.

Section 7.12 Reserved.

Section 7.13 Termination.

(a) This Agreement shall automatically terminate as between the Company and the Purchaser upon the earliest to occur of:

(i) the written consent of each of the Company and such Purchaser; or

(ii) by the Company or such Purchaser in the event that any Governmental Authority shall have issued a judgment or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by the Transaction Agreements and such judgment or other action shall have become final and non-appealable.

(b) Upon the termination of this Agreement, this Agreement will have no further force or effect, except for the provisions of Sections 7.02 and 7.07 hereof, which shall survive any termination under this Section 7.13; *provided* that neither the Company nor the Purchaser shall be relieved or released from any liabilities or damages arising out of (i) fraud or (ii) any breach of this Agreement prior to such termination.

Section 7.14 Headings. The headings of the various articles and sections of this Agreement are inserted merely for the purpose of convenience and do not expressly or by implication limit, define or extend the specific terms of the section so designated.

Section 7.15 Execution in Counterparts. For the convenience of the Parties and to facilitate execution, this Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. Signatures in the form of facsimile or electronically imaged "PDF" shall be deemed to be original signatures for all purposes hereunder.

Section 7.16 Reserved.

Section 7.17 Waiver. No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any further exercise thereof or the exercise of any other right, power or remedy.

Section 7.18 Adjustment of Share Numbers. If there is a subdivision, split, stock dividend, combination, reclassification or similar event with respect to any of the ordinary shares, including the Conversion Shares referred to in this Agreement, then, in any such event, the numbers and types of shares referred to in this Agreement shall be equitably adjusted as appropriate to the number and types of shares of such stock that a holder of such number of shares of such stock would own or be entitled to receive as a result of such event of such holder had held such number of shares immediately prior to the record date for, or effectiveness of, such event.

*[Signature pages follow]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first above written.

**Mercurity Fintech Holding Inc.**

By: \_\_\_\_\_  
Name: Shi Qiu  
Title: Chief Executive Officer

*[Signature Page to Securities Purchase Agreement]*

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*[Signature Page to Securities Purchase Agreement]*

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**EXHIBIT A**  
**UNSECURED CONVERTIBLE PROMISSORY NOTE**

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THIS UNSECURED CONVERTIBLE PROMISSORY NOTE ("NOTE") AND THE SECURITIES INTO WHICH IT MAY BE CONVERTED HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THIS NOTE AND THE SECURITIES INTO WHICH IT MAY BE CONVERTED MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

**MERCURY FINTECH HOLDING INC.**

**UNSECURED CONVERTIBLE PROMISSORY NOTE**

**PRINCIPAL AMOUNT: U.S. \$9,000,000.00**

**ISSUANCE DATE: January [ 31 ], 2023**

1. Principal and Interest.

1.1 Mercury Fintech Holding Inc., an exempted company with limited liability organized and existing under the laws of the Cayman Islands (the "**Company**"), for value received, hereby promises to pay to the order of [ ] (the "**Holder**") the principal amount of U.S. \$9,000,000.00 (Nine Million Dollars and Zero Cents) and the accrued and unpaid interest pursuant to the terms and conditions set forth herein. This Unsecured Convertible Promissory Note (the "**Note**") shall bear non-compounding interest at a rate per annum equal to 5% (five percent) from the date of issuance until repayment of the Note unless the Note is converted into ordinary shares of the Company pursuant to Section 2 hereof. Interest on this Note shall be computed on the basis of a 365-day year and actual days elapsed. Interest accrued on this Note shall be payable in arrears on the Maturity Date (as defined below) of this Note and shall be forgiven and waived by the Holder upon conversion of the Note.

1.2 Unless the Note is converted pursuant to Section 2, the outstanding principal amount of and all accrued but unpaid interest on this Note shall be due and payable on the one-year anniversary of the Issuance Date, January [ 31 ], 2024 (the "**Maturity Date**"); provided, that if the Maturity Date is not a business day, the Maturity Date shall be the preceding business day. The Company agrees to pay all costs and expenses, including reasonable attorneys' fees, incurred by the Holder in any action brought to enforce the terms of this Note.

1.3 Upon conversion or repayment of this Note as provided herein, this Note shall be terminated and the Holder shall surrender the Note to the Company for cancellation.

1.4 This Note may be prepaid by the Company at any time prior to the Maturity Date without the written consent of the Holder.

1.5 From and after the occurrence of any Event of Default (as defined below), and so long as any such Event of Default remains unremedied or uncured thereafter, the Obligations outstanding under the Note shall bear interest at a per annum rate of 10% (ten percent). In no event shall the interest payable under this Note at any time exceed the maximum rate permitted by law.

1.6 Prior to the commencement of the First Election Period, the Company shall use its best efforts to cause its authorized share capital increase to allow the full conversion of the Note pursuant to Section 2 and complete exercise of the Warrants by further amending its current and effective amended and restated memorandum and articles of association (the "**Charter Documents**").

## 2. Conversion.

2.1 Conversion Election. Prior to repayment of the Note, the Holder may, in its sole discretion, elect to convert this Note during two select periods before the Maturity Date, including the fifteen day period preceding the calendar date six months after the date of issuance of the Note (the "First Election Period"), as well as the fifteen day period preceding the Maturity Date (the "Second Election Period"). During each the First Election Period and Second Election Period, the conversion of this Note shall be effective upon the date of the notice of such election ("**Conversion Election**"), the entire then outstanding principal balance as of the date of such notice (in accordance with Section 2.2(a)), excluding any and all accrued but unpaid interest on the Note as of the date of such notice (the "**Conversion Amount**") shall be converted into fully paid and non-assessable ordinary shares of the Company ("**Conversion Shares**") at a per share conversion price equal to \$[ 0.62 ], 70% (seventy percent) of the average closing price of the American Depositary Receipts (the "ADRs," each representing three hundred and sixty (360) Ordinary Shares) divided by three hundred and sixty (360) during the thirty (30)-consecutive trading day period immediately preceding the date of the Securities Purchase Agreement (the "**Conversion Share Price**"). Any Conversion Election by the Holder will be made in writing delivered to the Company pursuant to this section and in accordance with the conversion notice (the "**Conversion Notice**") attached herein as Exhibit B.

2.2 Conversion Procedures In case of a Conversion Election, the Parties are obliged to execute the conversion according to the following provisions ("**Execution of Conversion**").

(a) To effect the Execution of Conversion, the Company is obliged to induce all necessary and required actions to enable the Company's shareholders ("**Shareholders**") to resolve in course of an extraordinary shareholders' meeting to approve a share capital increase of the Company (including the necessary changes of the Charter Documents), by which Conversion Shares (as new shares) in the Company may be issuable upon Conversion ("**Conversion Share Capital Increase**").



(b) Conversion Shares Issuable Upon Conversion The number of Conversion Shares pursuant to Section 2 shall be determined by the quotient obtained by dividing the outstanding principal amount of this Note by the Conversion Share Price.

(c) Delivery of Certificate Upon Conversion Not later than three (3) business days after the Conversion Election, the Company shall deliver, or cause to be delivered, to the Holder a certificate or certificates representing the Conversion Shares being acquired upon the conversion of this Note, in whole or in part.

2.3 Payment of Accrued Interest In the event that the Holder converts the Conversion Amount, which necessarily equates to the entire outstanding principal balance, then the Company shall not be obligated to repay any portion of the accrued but unpaid interest on this Note.

2.4 No Fractional Shares No fractional shares of ordinary shares shall be issued upon conversion of this Note. In lieu of such fractional shares, the Company shall round up the fractional share to the nearest whole number issuable to the Holder.

3. Events of Default If there shall be any Event of Default (as defined below) this Note shall accelerate and the entire principal amount of and all accrued but unpaid interest on this Note shall become due and payable. The occurrence of any one or more of the following shall constitute an "**Event of Default**": (a) the Company fails to pay timely any of the principal amount of or any accrued interest or other amounts due under this Note on the date the same becomes due and payable; (b) the Company files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any corporate action in furtherance of any of the foregoing; or (c) an involuntary petition is filed against the Company (unless such petition is dismissed or discharged within ninety (90) days under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee, assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody or control of any property of the Company).

4. Warrant Shares. The Company shall, on the Trading Day following a Conversion Election, issue a warrant in the form attached as exhibit A to this Note (the "Warrant"), which shall enable the Holder to purchase the amount of Warrant Shares (as defined in the Warrant) equivalent to the amount of Conversion Shares at the exercise price of the Conversion Share Price. For avoidance of doubt, the Company shall not be obligated to issue any Warrant if the Holder fails to convert the Note pursuant to Section 2 within one of the Election Periods.

5. Assignment. Subject to the restrictions on transfer described in Section 6 hereof, the rights and obligations of the Company and the Holder of this Note shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties. Effective upon any such assignment, any party to whom such rights, interests and obligations were assigned by the Holder shall have all of the Holder's rights, interests and obligations hereunder as if such party were the original Holder of this Note.

7. Transfer. This Note shall not be assigned or transferred by the Holder without the written consent of the Company (which shall not be unreasonably withheld or delayed); provided, that any assignment by the Holder of this Note to an Affiliate (as defined below) of the Holder shall not require the consent of the Company provided, further, that any assignment by the Holder of this Note shall be in compliance with applicable federal and state securities laws. This Note so transferred shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with federal and state securities laws, unless the Company determines that such legend is not required in order to ensure compliance with such federal and state securities laws.

8. Recapitalization. If there is a subdivision, split, stock dividend, combination, reclassification or similar event with respect to any of the ordinary shares, including without limitation the Conversion Shares and Warrant Shares referred to herein, then, in any such event, the numbers and types of shares and Conversion Share Price shall be equitably adjusted as appropriate to the number and types of shares of such stock that a holder of such number of shares of such stock would own or be entitled to receive as a result of such event of such holder had held such number of shares immediately prior to the record date for, or effectiveness of, such event.

To the Company: At the address listed on the Securities Purchase Agreement.

To Holder: At the address listed on the Securities Purchase Agreement.

10. No Stockholder Rights This Note shall not confer upon the Holder any rights as a shareholder of the Company, including, without limitation, the right to vote, consent or receive notice as a shareholder in respect of actions or meetings of shareholders, or the right to receive dividends, unless and until this Note has been fully converted.

11. Governing Law; Venue. This Note shall be governed by and construed under the laws of the State of New York. With respect to any disputes arising out of or related to this Note, the parties consent to the exclusive jurisdiction of, and venue in, the state courts in New York County in the State of New York.

12. Charges, Taxes and Expenses. The issuance of the Conversion Shares upon the conversion of this Note shall be made without charge to the Holder (irrespective of the provisions in Section 2) for any issue or other incidental expense in respect of the issuance of such Conversion Shares, all of which expenses (in particular all notarization costs relating to the capital increase) shall be paid by the Company.

13. Loss, Theft or Destruction of Note Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft or destruction of this Note and of indemnity or security reasonably satisfactory to it, the Company shall issue and deliver, in lieu of this Note, a new Note which shall carry the same rights to interest carried by this Note, stating that such new Note is issued in replacement of this Note, making reference to the original date of issuance of this Note (and any successors hereto) and dated as of such cancellation.

14. Usury. This Note is hereby expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid to the Holder hereunder exceed that permissible under applicable law. If at any time the performance of any provision of this Note involves a payment exceeding the limit that may be validly charged under applicable law, then the obligation to be performed shall be automatically reduced to such limit.

15. Titles and Subtitles. The titles and subtitles used herein are used for convenience only and are not to be considered in construing or interpreting this Note.

16. Severability. If any provision of this Note is held to be illegal or unenforceable under applicable law, such provision shall be excluded from this Note and the balance of this Note shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

*[remainder of this page left intentionally blank]*

IN WITNESS WHEREOF, the Company has caused this Note to be issued as of the date first above written.

**MERCURITY FINTECH HOLDING INC.**

By /s/\_\_\_\_\_

Name: Shi Qiu

Title: Chief Executive Officer

**EXHIBIT A**  
**Form of Warrant**

## Exhibit A

Warrant No.: [     ]

Date of Issuance: [\_\_\_\_\_] , [\_\_\_\_\_] (the "**Issuance Date**")

### WARRANT TO PURCHASE ORDINARY SHARES OF MERCURY FINTECH HOLDING INC.

This Warrant (the "**Warrant**") certifies that, for value received, [     ] and/or such entity that such person may designate in accordance with the Unsecured Convertible Promissory Note (as defined below) shall collectively be referred to as the "**Holder**") is entitled to purchase [TBD] ordinary shares, with par value US\$0.00001 per share (the "**Ordinary Shares**") of Mercury Fintech Holding Inc., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "**Company**"), on the terms set forth herein.

This Warrant is issued pursuant to an Unsecured Convertible Promissory Note issued to the Holder (the "**Note**") dated as of February 2, 2023 and a securities purchase agreement (the "**SPA**") entered into by and between the Company and the Holder. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Note.

**1. Purchase of Shares.** Subject to the terms and conditions hereinafter set forth, the Company hereby grants the Holder the right to purchase from the Company up to [     ] Ordinary Shares (the "**Warrant Shares**"), equivalent to the amount of Conversion Shares (as defined in the Note), upon the date of said Conversion Election (as defined in the Note). The exercise price of the Warrant Shares shall be equivalent to the Conversion Share Price (as defined in the Note) of the applicable Conversion Election.

**2. Exercise.**

**(a) Exercise Price.** Unless otherwise mutually agreed by the Holder and the Company, and subject to adjustments and conditions as provided herein, the per share purchase price for the Warrant Shares shall be US\$ \$0.00172 per ordinary share, equivalent to the Conversion Share Price (as defined in the Note) of the applicable Conversion Election (as defined in the Note) and subject to adjustments specified in Section 4 of this Warrant (the "**Exercise Price**").

Notwithstanding any adjustment made in accordance with this Warrant or anything to the contrary in this Warrant, the aggregate Exercise Price shall in no event be less than the aggregate par value of the Warrant Shares at the time of exercise (the "**Minimum Consideration**").

**(b) Exercise Period.** Unless otherwise agreed by the Holder and the Company, this Warrant is exercisable up to three (3) years after the Issuance Date as set forth above. For the purpose of this Warrant, "**Trading Day**" shall mean a day on which trading in the Ordinary Shares or ADRs generally occurs on the Nasdaq or, if the Ordinary Shares or ADRs are not then listed on the

Nasdaq, on other principal U.S. national or regional securities exchange on which the Ordinary Shares or ADRs are then listed or, if the Ordinary Shares or ADRs are not then listed on a U.S. national or regional securities exchange, on other principal market on which the Ordinary Shares or ADRs are then traded; *provided* that if the Ordinary Shares or ADRs are not so listed or traded, "Trading Day" means a Business Day.

**(c) Form of Payment** Subject to Section 2(a), the aggregate Exercise Price for the Warrant Shares may be settled no later than the close of business on the fifth (5<sup>th</sup>) Business Day following the receipt of the Notice of Exercise (as defined below) by the Company from the Holder, by wire transfer of immediately available funds in U.S. dollars to such bank account designated in writing by the Company.

**(d) Issuance of Certificates; Acknowledgement** The exercise of this Warrant shall be effected by the delivery of this Warrant, together with a duly executed copy of the Notice of Exercise in the form attached hereto as Exhibit A.1, to the Company (the "**Notice of Exercise**") and the payment of the Exercise price in accordance with Section 2(c). The Company agrees that the Warrant Shares purchased under this Warrant shall be and are deemed to be issued to the Holder as the record owner of such shares as of the close of business on the date the aggregate Exercise Price for the Warrant Shares is paid to the Company. The Company shall deliver to the Holder within five (5) Business Days after its receipt of the executed Notice of Exercise: (i) a duly executed share certificate representing the Warrant Shares, and (ii) a certified true copy of the updated register of members of the Company reflecting the Holder's ownership of the Warrant Shares, provided, however, that the aggregate Exercise Price shall be paid in accordance with Section 2(c).

**3. Reservation of Shares.** After the increase of the Company's share capital as set forth in the SPA, the Company may agree that all Warrant Shares which may be issued upon the exercise hereof will, upon issuance and after payment of the aggregate Exercise Price in accordance with Section 2(c), be duly authorized, validly issued, fully paid and non-assessable and free from all preemptive rights of any shareholder and free of all taxes, liens and charges with respect to the issue thereof, except as provided under Applicable Laws, this Warrant and the memorandum and articles of association of the Company then in effect. Subject to the increase of the Company's share capital as set forth in the SPA, the Company will use its best efforts to, at all times during the Exercise Period, have authorized and reserved a sufficient number of Ordinary Shares to provide for the exercise of this Warrant.

**4. Adjustment of Exercise Price and Warrant.** The Exercise Price and/or Warrant shall be subject to adjustment from time to time as follows:

- (a) **Share Splits, Share Subdivisions, Dividends or Combinations** In the event the Company shall at any time, or from time to time, effect a split or subdivision of the outstanding Ordinary Shares, the Exercise Price of this Warrant shall be proportionally decreased and the number of Ordinary Shares issuable upon exercise of this Warrant (or any shares or other securities at the time issuable upon exercise of this Warrant) shall be proportionally increased to reflect any such share split or subdivision of the Ordinary Shares. Conversely, if the Company shall at any time, or from time to time, combine the outstanding Ordinary Shares into a smaller number of shares, the Exercise Price of this Warrant shall be proportionally increased and the number of Ordinary Shares issuable upon exercise of this Warrant (or any shares or other securities at the time issuable upon exercise of this Warrant) shall be proportionally decreased to reflect any such combination of the Ordinary Shares. Any adjustment under this paragraph shall become effective at the close of business on the date the share split, subdivision or combination becomes effective.
- (b) **Dividends or Distributions of Shares or Other Securities or Property** In the event the Company shall make or issue, or shall fix a record date for the determination of eligible holders entitled to receive, a dividend or other distribution with respect to the Ordinary Shares (or any shares or other securities at the time issuable upon exercise of this Warrant) payable in (i) shares or other securities of the Company; or (ii) assets (excluding cash dividends paid or payable solely out of retained earnings), then, in each such case, the Holder on exercise hereof at any time after the consummation, effective date or record date of such dividend or other distribution, shall not be entitled to receive, in addition to the Ordinary Shares (or such other shares or securities) issuable on such exercise prior to such date, the additional shares or other securities of the Company or such other assets during such period giving effect to all adjustments called for by this Section 4(b).
- (c) **Reclassification.** If the Company, by reclassification of shares or otherwise, shall change any of the shares as to which purchase rights under this Warrant exist into the same or a different number of shares of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of shares as would have been issuable as the result of such change with respect to the shares that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Exercise Price therefor shall be equitably adjusted, all subject to further adjustment as provided in this Section 4.



**(d) Capital Reorganization, Merger or Consolidation** In case of any reorganization of the share capital of the Company (other than a combination, reclassification or subdivision of shares otherwise provided for herein), or any merger or consolidation of the Company with or into another corporation, or the sale or transfer of all or substantially all the assets of the Company then, and in each such case, as a part of such reorganization, merger, consolidation, sale or transfer, lawful provision shall be made so that the Holder shall thereafter be entitled to receive, upon exercise of this Warrant, during the period specified herein and upon payment in accordance with Section 2(c), the number of shares or other securities or property of the successor corporation resulting from such reorganization, merger, consolidation, sale or transfer that a holder of the shares deliverable upon exercise of this Warrant would have been entitled to receive in such reorganization, consolidation, merger, sale or transfer if this Warrant had been exercised immediately before such reorganization, merger, consolidation, sale or transfer, all subject to further adjustment as provided in this Section 4. The foregoing provisions of this Section 4(d) shall similarly apply to successive reorganizations, consolidations, mergers, sales and transfers of the shares or securities of any other corporation that are at the time receivable upon the exercise of this Warrant. In all events, appropriate adjustment (as determined in good faith by the Company's board of directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the transaction, to the end that the provisions of this Warrant shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant.

**(e) Notice of Adjustment.** The Company shall promptly give the Holder of this Warrant written notice of each adjustment or readjustment of the Exercise Price or the number of Warrant Shares or other securities issuable upon exercise of this Warrant. The notice shall describe the adjustment or readjustment and show in reasonable detail the facts on which the adjustment or readjustment is based.

**5. Transfers of Warrant.** This Warrant and all rights and obligations hereunder may not be transferred or assigned in whole or in part by the Holder (subject to compliance with the Securities Act, other applicable securities laws and constitutional documents of the Company) without the prior written consent of the Company.

**6. Loss or Mutilation.** Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the event of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the event of any such mutilation upon surrender and cancellation of such Warrant, the Company will execute and deliver a new Warrant of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant.

**7. Amendment and Waiver.** Any term of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

**8. Successors and Assigns.** This Warrant shall be binding upon and inure to the benefit of the Company, the Holder and their respective successors and permitted assigns.

**9. Notices.** Any notice required or permitted pursuant to this Warrant shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to the address as shown below (or at such other address as such party may designate by fifteen (15) days' advance written notice to the Company or Holder, as applicable, given in accordance with this Section 9). Where such notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a confirmation of delivery, and to have been effected at the expiration of sixty (60) hours after the letter containing the same is sent as aforesaid. Where a notice is sent by facsimile, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as provided above.

If notice to the Company:

Mercurity Fintech Holding Inc.

Room 1215, FIYTA Technology Building, Gaoxin South, Road One, Nanshan District, Shenzhen,  
Address: 518000, Guangdong Province, People's Republic of China  
Email: qbit@mercurityfintech.com  
Attention: Shi Qiu

With a copy to the Company's Counsel at (which shall not constitute notice):  
Address: 1185 Avenue of the Americas, 31st Floor, New York, New York 10036  
Email: hlou@SRF.LAW  
Attention: Huan Lou

If notice to the Holder: see the Note

**10. Headings.** The section and subsection headings of this Warrant are inserted for convenience only and shall not constitute a part of this Warrant in construing or interpreting any provision hereof.

**11. Governing Law** This Warrant shall be governed by and construed in accordance with the laws of the State of New York without giving effect to any choice or conflict of law provision or rule thereof.

**12. Venue.** Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Warrant and any other Transaction Agreements (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state or federal courts sitting in the Borough of Manhattan, New York, New York. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Borough of Manhattan, New York, New York for the adjudication of any dispute hereunder or in connection

herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Agreements), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding.

**13. Interpretation.** For all purposes of this Warrant, except as otherwise expressly provided, (i) the term "or" is not exclusive; (ii) the terms defined herein and any capitalized terms used herein without definition shall include the plural as well as the singular, (iii) unless otherwise provided for, all references in this Warrant to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the body of this Warrant, (iv) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Warrant as a whole and not to any particular Section or other subdivision, and (vi) "include," "including," "are inclusive of" and similar expressions are not expressions of limitation and shall be construed as if followed by the expression "without limitation".

**14. No Presumption.** The parties acknowledge that any applicable law that would require interpretation of any claimed ambiguities in this Warrant against the party that drafted it has no application and is expressly waived. If any claim is made by a party relating to any conflict, omission or ambiguity in the provisions of this Warrant, no presumption or burden of proof or persuasion will be implied because this Warrant was prepared by or at the request of any party or its counsel.

**15. Counterparts.** This Warrant may be executed in two or more counterparts and may be delivered by electronic PDF or facsimile transmission, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

**16. Severability.** If one or more provisions of this Warrant are held to be unenforceable under any applicable law, such provision shall be excluded from this Warrant and the balance of this Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

**17. Entire Agreement.** This Agreement together with the other instruments and agreements referenced herein constitutes the entire agreement between the Parties with respect to the subject matter hereof.

*[The remainder of this page has been intentionally left blank.]*

IN WITNESS WHEREOF, the Company caused this Warrant to be executed by a director thereunto duly authorized.

**COMPANY**

**Mercurity Fintech Holding Inc.**

By \_\_\_\_\_  
Name: Shi Qiu  
Title: Chief Executive Officer

*[Signature Page to Warrant]*

As of December 31, 2022, the Company's subsidiaries are as follows:

	<b>Date of acquisition/ registration</b>	<b>Place of establishment/ incorporation</b>	<b>Percentage of legal ownership</b>
<b>Subsidiaries:</b>			
Mercurity Fintech Technology Holding Inc.	July 15, 2022	US	100%
Mercurity Limited	May 21, 2019	British Virgin Islands	100%
Ucon Capital (HK) Limited	May 21, 2019	Hong Kong	100%
Beijing Lianji Future Technology Co., Ltd.	May 21, 2019	PRC	100%
NBpay Investment Limited	March 2, 2020	British Virgin Islands	100%
NBpay Fintech Pte Ltd.	March 2, 2020	Singapore	100%
Golden Nation Ltd.	October 17, 2021	US	100%

On January 28, 2023, the Company decided to write off NBpay Investment Limited and its subsidiaries, which are all shell companies without any assets, employees or business. After the adjustment of the above corporate structure, the Company will take MFH Tech, the US subsidiary, as the operating entity of distributed computing and storage services business and digital consultation services business in North America, and will take Mercurity Limited and its Hong Kong and China subsidiaries as the operating entities of blockchain technical services business and digital consultation services business in the Asia-Pacific region.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shi Qiu, certify that:

1. I have reviewed this annual report on Form 20-F of Mercury Fintech Holding 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 of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

(a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within the registrant, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2023

By: /s/ Shi Qiu

Shi Qiu

Chief and Principal Executive Officer

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yukuan Zhang, certify that:

1. I have reviewed this annual report on Form 20-F of Mercurity Fintech Holding 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 of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

(a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within the registrant, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2023

By: /s/ Yukuan Zhang

Yukuan Zhang

Chief and Principal Financial Officer

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

In connection with the annual report of Mercury Fintech Holding Inc. (the "Company") on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission (the "Report"), I, Shi Qiu, Chief and Principal Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2023

By: /s/ Shi Qiu

Shi Qiu

Chief and Principal Executive Officer

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

In connection with the annual report of Mercury Fintech Holding Inc. (the "Company") on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission (the "Report"), I, Yukuan Zhang, Chief and Principal Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2023

By: /s/ Yukuan Zhang

Yukuan Zhang

Chief and Principal Financial Officer

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-206466 and 333-259774) of Mercury Fintech Holding Inc. (the "Company") of our report dated April 25, 2023, with respect to the consolidated financial statements of the Company for the year ended December 31, 2022, appearing in the Annual Report on Form 20-F of the Company for the year ended December 31, 2022. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ Onestop Assurance PAC

Singapore

April 25, 2023

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April 25, 2023

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549

Ladies and Gentlemen:

We have read Item 16F. of Form 20-F of Mercury Fintech Holding Inc. and are in agreement with the statements contained therein relating to Shanghai Perfect C.P.A. Partnership.

Very truly yours,

/s/ Shanghai Perfect C.P.A. Partnership  
Shanghai Perfect C.P.A. Partnership

cc: Mercury Fintech Holding Inc.

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