

Risk Factors Comparison 2025-04-15 to 2024-06-28 Form: 10-K

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In addition to the other information in this Form 10-K, readers should carefully consider the following important factors. These factors, among others, in some cases have affected, and in the future could affect, our financial condition and results of operations and could cause our future results to differ materially from those expressed or implied in any forward-looking statements that appear in this annual report on Form 10-K or that we have made or will make elsewhere.

Risks Related to Our Business We are susceptible to general economic conditions, natural catastrophic events and public health crises, and a potential downturn in advertising and marketing spending by advertisers could adversely affect our operating results in the near future. Our business is subject to the impact of natural catastrophic events, such as earthquakes, or floods, public health crisis, such as disease outbreaks, epidemics, or pandemics in China, and all these could result in a decrease or sharp downturn of economies, including our markets and business locations in the current and future periods. We may experience impact from quarantines, market downturns and changes in customer behavior related to pandemic fears and impact on our workforce. We may experience a decrease in revenue due to disease outbreaks, epidemics or pandemics. Disease outbreaks, epidemics or pandemics can affect a significant number of our workforce employed in our operations, and as a result may cause slow resumption of operations and we may experience delays or the inability to deliver our service on a timely basis. In addition, one or more of our customers, partners, service providers or suppliers may experience financial distress, delayed or defaults on payment, file for bankruptcy protection, sharp diminishing of business, or suffer disruptions in their business due to the outbreak. **Our** ~~Although the COVID-19 outbreak had been largely under control within China, and the PRC government ended its three-year zero-COVID policy in late 2022 with most of the travel restrictions and quarantine requirements lifted accordingly, the severe and negative impact of COVID-19 from 2020 through 2022 made economic recovery challenging in 2023. While revenues increased in 2023, our~~ customers continue to face a challenging macroeconomic environment in their respective industries and in the general economy, ~~in part due to the significant adverse impact of the COVID-19 pandemic.~~ The challenging macroeconomic environment in the PRC could cause decreases or delays in advertising spending and reduce and / or negatively impact our short-term ability to grow our revenues which will have a material adverse impact on our business, results of operations and financial condition in the short run. Any decreased collectability of accounts receivable, bankruptcy of small and medium businesses, or early termination of agreements due to deterioration in economic conditions could also negatively impact our results of operations. We may be subject to, and may expend significant resources in defending against, government actions and civil suits based on the content and services we provide through our Internet advertising and data service platforms. PRC advertising laws and regulations require advertisers, advertising operators and advertising distributors, including businesses such as ours, to ensure that the content of the advertisements they prepare or distribute is fair, accurate and in full compliance with applicable laws, rules and regulations. Although we comply with the requirements by reviewing the business licenses and the profiles of our clients, clients may post advertisements about business opportunities that are not legitimate and over which we have no control. On April 24, 2015, the Fourteenth Session of the Standing Committee of the Twelfth National People's Congress adopted the Revised Advertising Law, which became effective on September 1, 2015 and was further amended on October 26, 2018 and April 29, 2021. The Revised Advertising Law further established the advertisement standards and restrictions of certain industries, such as: medical instruments, education and training, franchise and investments; defined separate standards and restrictions for Internet advertisements and reinforced the regulatory responsibilities of the related competent authorities. We cannot assure you that our operating entities will be fully in compliance with these new rules during normal course of business. Violation of these laws, rules or regulations may result in penalties, including fines, confiscation of advertising fees, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, the PRC government may revoke a violator's license for its advertising business operations. We operate in the advertising and data service industry, which is particularly sensitive to changes in economic conditions and advertising trends. Advertising and data service spending by our clients is particularly sensitive to changes in general economic conditions. For example, advertising and data service expenditures typically decrease during periods of economic downturn. Advertisers may reduce the amount of money they spend to advertise and obtain precision marketing data and data analysis on / from our advertising and data service platforms for a number of reasons, including: ● a general decline in economic conditions; ● a decline in economic conditions in the particular cities where we conduct business; ● a decision to shift advertising and marketing expenditures to other available less expensive advertising media; and ● a decline in advertising and marketing spending in general. A decrease in the demand for advertising media in general, and for our advertising and marketing services in particular, would materially and adversely affect our ability to generate revenues, and have a material adverse effect on our financial condition and results of operations. We face significant competition, and if we do not compete successfully against new and existing competitors, we may lose our market share, and our profitability may be adversely affected. Increased competition could reduce our profitability and result in a loss of market share. Some of our existing and potential competitors may have competitive advantages, such as significantly greater financial, marketing or other resources, and may successfully mimic and adopt our business models. Moreover, increased competition will provide advertisers with a wider range of media and advertising and marketing service alternatives, which could lead to lower prices and decreased revenues, gross margins and profits. We cannot assure you that we will be able to successfully compete against new or existing competitors. Key employees are essential to growing our business. Key employees, such as our chief executive officer, head of each of our business units, and head of our research and development team are essential to our ability

to continue to grow our business. They have established relationships within the industries in which we operate. If they were to leave us, our growth strategy might be hindered, which could limit our ability to increase revenue. In addition, we face competition for attracting skilled personnel with increasing labor cost. If we fail to attract and retain qualified personnel to meet current and future needs, this could slow our ability to grow our business, which could result in a decrease in market share. We may need additional capital and we may not be able to obtain it at acceptable terms, or at all, which could adversely affect our liquidity and financial position. We may need additional cash resources due to changed business conditions or other future developments. If these sources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and liquidity. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including: ● investors' perception of, and demand for, securities of alternative advertising media companies; ● conditions of the U. S. and other capital markets in which we may seek to raise funds; ● our future results of operations, financial condition and cash flow; ● PRC governmental regulation of foreign investment in advertising service companies in China; ● economic, political and other conditions in China; and ● PRC governmental policies relating to foreign currency borrowings. Our failure to protect our intellectual property rights could have a negative impact on our business. We believe our brand, trade name, copyrights, domain name and other intellectual property are critical to our success. The success of our business depends in part upon our continued ability to use our brand, trade names and copyrights to further develop and increase brand awareness. The infringement of our trade names and copyrights could diminish the value of our brand and its market acceptance, competitive advantages or goodwill. In addition, our information and operational systems, which have not been patented or otherwise registered as our property, are a key component of our competitive advantage and our growth strategy. Monitoring and preventing the unauthorized use of our intellectual property is difficult. The measures we take to protect our brand, trade names, copyrights, domain name and other intellectual property rights may not be adequate to prevent their unauthorized use by third parties. Furthermore, application of laws governing intellectual property rights in China and abroad is uncertain and evolving, and could involve substantial risks to us. If we are unable to adequately protect our brand, trade names, copyrights, domain name and other intellectual property rights, we may lose these rights and our business may suffer materially. Further, unauthorized use of our brand, domain name or trade names could cause brand confusion among advertisers and harm our reputation. If our brand recognition decreases, we may lose advertisers and fail in our expansion strategies, and our business, results of operations, financial condition and prospects could be materially and adversely affected. We may be subject to intellectual property infringement claims or other allegations, which may materially and adversely affect our business, financial condition and prospects. We cannot be certain that we do not or will not infringe patents, copyrights, trademarks or other intellectual property rights held by external parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks, copyrights or other intellectual property rights, or misappropriation of creative ideas or formats, or other infringement of proprietary, which may materially and adversely affect our business, financial condition and prospects. We rely on computer software and hardware systems in managing our operations, the failure of which could adversely affect our business, financial condition and results of operations. We are dependent upon our computer software and hardware systems in supporting our network and managing and monitoring programs on the network. In addition, we rely on our computer hardware for the storage, delivery and transmission of the data on our network. Any system failure that interrupts the input, retrieval and transmission of data or increases the service time could disrupt our normal operation. Any failure in our computer software or hardware systems could decrease our revenues and harm our relationships with advertisers and consumers, which in turn could have a material adverse effect on our business, financial condition and results of operations. Any failure or interruptions in the internet infrastructure, bandwidth providers, data center providers, other third parties or our own systems for providing our solutions to customers could negatively impact our business. Our ability to deliver our solutions is dependent on the development and maintenance of the internet and other telecommunications services by third parties. Such services include maintenance of a reliable network backbone with the necessary speed, data capacity and security for providing reliable internet access and services and reliable telecommunications systems that connect our operations. While our solutions are designed to operate without interruption, we may experience interruptions and delays in services and availability from time to time. We rely on systems as well as third- party vendors, including data center, bandwidth, and telecommunications equipment providers, to provide our solutions. We do not maintain redundant systems or facilities for some of these services. In the event of a catastrophic event with respect to one or more of these systems or facilities, we may experience an extended period of system unavailability, which could negatively impact our relationship with our customers. Privacy and data security concerns, laws, or other regulations could expose us to liability or impair our operations. Privacy and data security are rapidly evolving areas of concern and regulation. Changes in laws restricting or otherwise governing data and transfer thereof could be difficult to comply with, result in increased costs, or impair our operations. Security measures that we implement may fail due to third- party attack, employee error or sabotage, or other causes. Hacking techniques change frequently and therefore can be difficult to prevent. In addition, service providers could suffer security breaches or data losses that affect our customers' information. A security breach could damage our reputation, resulting in loss of customers or reluctance of potential customers to try our platform, or civil or criminal liability. The PRC Cyber Security Law, effective on June 1, 2017, stipulates that a network operator must adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, maintain the integrity, confidentiality and availability of network data. 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 establishes a classified and tiered system for data protection based on the level of importance of the data in the economic and social development, as well as the level of danger of the data imposed on national security, public interests,

or the legal interests of individuals and organizations upon any manipulation, destruction, leakage, illegal acquisition or illegal usage. Furthermore, it is specified that the Cyber Security Law applies to the security administration of the cross- border transfer of important data collected and generated by operators of “ critical information infrastructure ” during their operations in China. On August 20, 2021, the Standing Committee of the National People’ s Congress promulgated the Personal Information Protection Law of the People’ s Republic of China (the “ Personal Information Protection Law ”), effective from November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information bear responsibilities for their personal information handling activities, and shall adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties. On November 14, 2021, the Cyberspace Administration of China published a discussion draft of Management Measures for Internet Data Security, or the Draft Measures for Internet Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Measures for Internet Data Security also provided that operators of large Internet platforms that set up headquarters, operation centers or R & D centers overseas shall report to the national cyberspace administration and competent authorities. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted. On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross- border Data Transfer, which became effective on September 1, 2022. In accordance with these measures, data processors will be subject to security assessment conducted by the CAC prior to any cross- border transfer of data if the transfer involves (i) important data; (ii) personal information transferred overseas by operators of critical information infrastructure or a data processor that has processed personal data of more than one million persons; (iii) personal information transferred overseas by a data processor who has already provided personal data of 100, 000 persons or sensitive personal data of 10, 000 persons overseas since January 1 of previous year; or (iv) other circumstances as required by the CAC. Furthermore, data processors are required to conduct self- assessment on the risks of cross- border data transfer prior to their applying for the security assessment and focus on assessment of the following significant matters, including, among others: (i) the legality and necessity of the purpose, scope and method of cross- border data transfer; (ii) the scale, scope, type and sensitivity of data transferred overseas, and risks to the national security, public interests or legitimate rights of individuals or organizations caused by such cross- border data transfer; (iii) the responsibilities and obligations that the overseas recipient of such data promises to undertake, and whether such overseas recipient’ s management and technical measures and capabilities for performing its responsibilities and obligations can guarantee the security of cross- border data transfer; (iv) the risks that the data transferred overseas may be falsified, destroyed, divulged, lost, transferred, illegally obtained or illegally used during and after the cross- border transfer; (v) whether contracts or other legally binding documents entered into with the overseas recipient have fully stipulated the responsibilities and obligations to protect data security. In addition, any cross- border data transfer activities conducted in violation of the Measures for the Security Assessment of Cross- border Data Transfer before the effectiveness of such measures are required to be rectified within six months of the effectiveness date thereof. We are making efforts to comply with the applicable laws, regulations and standards, but there can be no assurance that our measures will be effective and sufficient under these PRC laws. If we were found by the regulatory authorities to have failed to comply with these PRC laws, we would be subject to warning, fines, confiscation of illegal revenue, revocation of licenses, cancellation of filings, shutdown of our platform or even criminal liability, and our business, results of operations and financial condition would also be adversely affected. In addition, in light of the evolving regulatory framework of China for the protection of information in cyberspace, we may be subject to uncertainties of and adjustments to our business practices, which may incur additional operating expenses and adversely affect our results of operations and financial condition. The occurrence of security breaches and cyber- attacks could negatively impact our business. Information technology systems are important to our business and operations. We are subject to attempts to compromise our security and information systems, including denial of service attacks, viruses, malicious software or ransomware, and exploitations of system flaws or weaknesses. Error or malfeasance or other irregularities may also result in the failure of our or our third- party service providers’ cybersecurity measures and may give rise to a cybersecurity incident. The techniques used to conduct security breaches and cyber- attacks, as well as the sources and targets of these attacks, change frequently and may not be recognized until launched against us or our third- party service providers. We or our third- party service providers may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber- attacks. The primary risks that could directly result from the occurrence of security breaches and cyber- attacks include operational interruption, financial losses, personal information leakage and non- compliance. The occurrence of such incidents could negatively impact our business operations and our relationships with customers and employees, and damage our reputation. If we or our third- party service providers are unable to avert security breaches and cyber- attacks, we could incur significantly higher costs, including remediation costs to repair damage caused by the breach, costs to deploy additional personnel and network protection technologies, train employees and engage third- party experts and consultants, as well as litigation costs resulting from the incident. These costs, which could be material, could adversely impact our results of operations in the period in which they are incurred and may not meaningfully limit the success of future attempts to breach our

information technology systems. If we are unable to maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations, result in the restatement of our financial statements, harm our operating results, subject us to regulatory scrutiny and sanction, cause investors to lose confidence in our reported financial information and have a negative effect on the market price for shares of our Common Stock. Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We maintain a system of internal control over financial reporting, which is defined as a process designed by, or under the supervision of, our principal executive officer and principal financial officer, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. As a public company, we have significant additional requirements for enhanced financial reporting and internal controls. We are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of our internal controls over financial reporting. The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. Our management will continue to evaluate the effectiveness of our overall control environment and will continue to refine existing controls as they, in conjunction with the Audit Committee of our Board of Directors, chief executive officer and chief financial officer, consider necessary. We cannot assure you that we will not, in the future, identify areas requiring improvement in our internal control over financial reporting. We cannot assure you that the measures we will take to remediate any areas in need of improvement will be successful or that we will implement and maintain adequate controls over our financial processes and reporting in the future as we continue our growth. If we are unable to maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations, result in the restatement of our financial statements, harm our operating results, subject us to regulatory scrutiny and sanction, cause investors to lose confidence in our reported financial information and have a negative effect on the market price for shares of our Common Stock. Our blockchain business is at an early stage and the PRC laws and regulations may have a potential effect. The laws and regulations governing the blockchain in China are developing and evolving and subject to changes. The PRC government adopts a positive attitude to the blockchain technology and it has been mentioned several times in the national strategy reports. On March 2021, the 14th Five-year Plan (2021- 2025) for National Economic and Social Development of the PRC was approved by the 13th National People's Congress and firstly mentioned blockchain as a newly recognized manner to support digitalization of the economy. However, the PRC government authorities have strictly prohibited the Initial Coin Offering (the "ICO") and any similar activities within the PRC by issuing the Announcement of the People's Bank of China, the Office of the Central Leading Group for Cyberspace Affairs, the Ministry of Industry and Information Technology and Other Departments on Preventing the Financing Risks of Initial Coin Offerings on September 4, 2017. The Banking and Insurance Regulatory Commission, the Office of the Central Cyberspace Affairs Commission, the Ministry of Public Security, the People's Bank of China and the State Administration for Market Regulation also issued the Risk Warning for Preventing Illegal Fundraising in the Name of "Virtual Currency" or "Blockchain" on August 24, 2018. The Internet Finance Association of China also issued a series of notices to remind the potential risks of ICO and the cryptocurrency trading to the PRC residents, including the Risk Warning on Guarding against the "Virtual Currency" such as Bitcoin on September 13, 2017, Risk Warning on Guarding against the Disguised Initial Coin Offering Activities on January 12, 2018 and Risk Warning on Guarding against the Offshore Initial Coin Offering Activities and the Cryptocurrency Trading on January 26, 2018. We do not plan to initiate any ICO in China or any other jurisdictions. We have been advised by our PRC counsel, as long as we do not issue any virtual currency coins, we only need to record filing as required by the Cyberspace Administration of China's Regulations on the Management of Blockchain Information Services that went into effect on February 15, 2019. We do not believe that such record filing procedure will have a material effect on our blockchain-powered platform. However, as the laws and regulations governing the blockchain in China are developing and evolving and subject to changes, we cannot assure you that that our blockchain technology related business will continue to be compliance with the PRC law. If our practice is deemed to have violated any PRC law or regulations, our blockchain related business would be materially and adversely affected. Given the continuing changing of the regulation regime and the government policy of this area in the PRC, an overall limited industry experiences in developing and operating a blockchain-powered platform, and our lack of operating history to serve as a blockchain-based SaaS services provider, our ability to generate substantial revenue from the blockchain-powered platform upon its launch remains unproven. It may be difficult for you to evaluate its performance and prospects. Risks Relating to Regulation of Our Business and to Our Structure If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC governmental restrictions on foreign investment in industries in which we operate, or if these regulations or their interpretation change in the future, we could be subject to severe penalties. Our operations are substantially conducted through our PRC Operating Entities, or VIEs, and through our contractual agreements with each of our PRC Operating Entities in China. PRC regulations restrict foreign investments in value-added telecommunication services, including providing Internet information services ("ICP") and used to have restrictions on foreign investments in advertising business, which was lifted on June 29, 2015. In consideration of the restrictions on foreign investments in ICP and advertising business, our whole-owned subsidiary in China, Rise King WFOE, is ineligible to apply for the required licenses for providing Internet information services and was ineligible to apply for the required licenses for providing advertising services in China before June 29, 2015. Our PRC Operating Entities hold the requisite licenses and permits to provide Internet information services and advertising services in China. We have been and are expected to continue to be dependent on these PRC Operating Entities to operate our ICP and advertising business for the foreseeable future. We have entered into Contractual Agreements with the PRC Operating Entities, pursuant to which we,

through Rise King WFOE, provide technical support and consulting services to the PRC Operating Entities. In addition, we have entered into agreements with our PRC Operating Entities and each of their shareholders which provide us with the substantial ability to control these affiliates. The Foreign Investment Law, which came into effect on January 1, 2020, stipulates three forms of foreign investment but does not explicitly stipulate the contractual arrangements under the VIE structure as a form of foreign investment. The Foreign Investment Law also stipulates that foreign investment includes “ foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council. ” Since the Foreign Investment Law is relatively new, uncertainties still exist in relation to its interpretation and implementation. There is no assurance that foreign investment via contractual arrangements would not be interpreted as a type of indirect foreign investment activities under the Foreign Investment Law in the future. If our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations, or furthermore we will fail to complete any actions to be taken by companies with respect to existing contractual arrangements as mandated by future laws, administrative regulations or provisions prescribed by the State Council in a timely manner, or at all, the relevant PRC regulatory authorities, including the SAMR and the MIIT, which regulates ICP and advertising companies, would have broad discretion in dealing with such violations, including: ● revoking the business and operating licenses of Rise King WFOE and / or the PRC Operating Entities; ● discontinuing or restricting the operations of Rise King WFOE and / or the PRC Operating Entities; ● imposing conditions or requirements with which we, Rise King WFOE and / or our PRC Operating Entities may not be able to comply; or ● requiring us or Rise King WFOE and / or PRC Operating Entities to restructure the relevant ownership structure or operations. The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business and would have a material adverse impact on our cash flows, financial position and operating performance. We rely on contractual arrangements with the PRC Operating Entities and their shareholders for our China operations, which may not be as effective in providing operational control as direct ownership. We rely on contractual arrangements with our PRC Operating Entities and their shareholders to operate our ICP and advertising business. These contractual arrangements may not be as effective in providing us with control over the PRC Operating Entities as direct ownership. If we had direct ownership of the PRC Operating Entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of those companies, which in turn could affect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, as a legal matter, if the PRC Operating Entities or any of their subsidiaries and shareholders fail to perform its or their respective obligations under these contractual arrangements, we may have to incur substantial costs and resources to enforce such arrangements, and rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you to be effective. Accordingly, it may be difficult for us to change our corporate structure or to bring claims against the PRC Operating Entities if they do not perform their obligations under its contracts with us or if any of the PRC citizens who hold the equity interest in the PRC Operating Entities do not cooperate with any such actions. Many of these contractual arrangements are governed by PRC laws and provide for the resolution of disputes through either arbitration or litigation in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our operating entities, and our ability to conduct our business may be negatively affected. In addition, a PRC court or arbitration tribunal may refuse to enforce the contractual arrangements on the grounds that they are designed to circumvent PRC foreign investment restrictions and therefore are against PRC public policy. Contractual arrangements we have entered into among the PRC Operating Entities may be subject to scrutiny by the PRC tax authorities and a finding that we owe additional taxes or are ineligible for our tax exemption, or both, could substantially increase our taxes owed, and reduce our net income and the value of your investment. Under PRC law, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. If any of the transactions we have entered into among our subsidiaries and affiliated entities are found not to be on an arm’s-length basis, or to result in an unreasonable reduction in tax under PRC law, the PRC tax authorities have the authority to disallow our tax savings, adjust the profits and losses of our respective PRC entities and assess late payment interest and penalties. If any of our PRC Operating Entities incurs debt on its own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements with the PRC Operating Entities we currently have in place in a manner that would materially and adversely affect the PRC Operating Entities’ ability to pay dividends and other distributions to us. Furthermore, relevant PRC laws and regulations permit payments of dividends by the PRC Operating Entities only out of their retained earnings, if any, determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, prior to payment of dividends, each of the PRC Operating Entities is also required to set aside at least 10 % of its net income each year as statutory reserves until the balance in the reserve reaches 50 % of the registered capital of the respective PRC Operating Entities. As a result of these PRC laws and regulations, the PRC Operating Entities are restricted in their ability to transfer a portion of their net assets to us whether in the form of dividends, loans or advances. Any limitation on the ability of the PRC Operating Entities to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

Condensed Consolidating Schedules The following tables presented the condensed consolidating schedules that depicted the financial position, cash flows and results of operations for our company, our consolidated subsidiaries, consolidated VIE, and any eliminating adjustments as of December 31, ~~2024 and 2023 and 2022~~, and for the years ended December 31, ~~2024 and 2023 and 2022~~, respectively. All amounts are presented in thousands of U. S. dollars. ~~745- 1,745 Prepayment and~~ deposit to suppliers ~~3-2, 232-1 825 2, 189-020 (259 344) 4, 508-567~~ Due from group companies 38, ~~087-397~~ 11, ~~557-539~~ (50, ~~092-081~~)-

Other current assets- ~~21~~, ~~237~~ ~~608~~ - ~~21~~, ~~239~~ ~~610~~ Long- term investments- ~~1,431~~ - ~~1,596~~ Operating lease right- of- use assets- ~~1,616~~ - ~~1,761~~ Property and equipment, net- Intangible assets, net- ~~3,264~~ - ~~3,264~~ Long- term deposits and prepayments -
Deferred tax assets, net-
---Total Assets \$ 38, ~~423~~ ~~463~~ \$ ~~26,301~~ \$ ~~5,319~~ \$ ~~(50,425)~~ \$ 19, ~~658~~ ~~822~~ \$ ~~1,782~~ \$ ~~(50,351)~~ \$ ~~9,686~~
Liabilities and Equity Accounts payable-
--- Advance from investors ~~1,075~~ - ~~1,075~~ Advances from customers- ~~(259~~ ~~344)~~
Accrued payroll and other accruals- Taxes payable- ~~2, 520~~ ~~602~~ - ~~3, 152~~ ~~248~~ Operating lease liabilities -
--- Lease payment liabilities related to short- term leases -
--- Due to group companies ~~34, 535~~ ~~542~~ ~~15, 325~~ ~~297~~ ~~(50, 092~~ ~~081)~~- Other current liabilities -
--- Warrant liabilities -
--- Operating lease liabilities- Non current- ~~1,535~~ - ~~1,535~~ Long- term borrowing from a related party-
--- Total Liabilities ~~1,867~~ ~~35,370~~ - ~~37,366~~ ~~19, 082~~ ~~581~~ ~~(50, 351~~ ~~425)~~ - ~~5~~ ~~7~~, ~~968~~ ~~361~~ Total stockholders' equity ~~36~~ ~~37~~, ~~624~~ ~~(11,065)~~ As of December 31, 2023 The Company Consolidated Subsidiaries Consolidated VIE Elimination Consolidation US \$ US \$ US \$ US \$ US \$ Assets Cash and cash equivalents-- Accounts receivable, net-- Prepayment and deposit to suppliers- ~~2, 763~~ ~~2, 005~~ ~~(263)~~ ~~4, 505~~ Due from group companies ~~37, 610~~ ~~11, 669~~ ~~(49, 688)~~ Other current assets- ~~2, 791~~ - ~~2, 794~~ Long- term investments- Operating lease right- of- use assets- Property and equipment, net- Intangible assets, net- Long- term deposits and prepayments-
--- Deferred tax assets, net-
--- Total Assets \$ ~~37, 610~~ \$ ~~19, 406~~ \$ ~~4, 168~~ \$ ~~(49, 951)~~ \$ ~~11, 233~~ Liabilities and Equity Accounts payable-
--- Advances from customers-- ~~1, 106~~ ~~(263)~~ Accrued payroll and other accruals- Taxes payable- ~~2, 555~~ - ~~3, 194~~ Operating lease liabilities-
--- Lease payment liabilities related to short- term leases-
--- Due to group companies ~~34, 018~~ ~~15, 437~~ ~~(49, 688)~~- Other current liabilities- Warrant liabilities-
--- Operating lease liabilities- Non current-
--- Long- term borrowing from a related party-
--- Total Liabilities ~~34, 858~~ ~~19, 481~~ ~~(49, 951)~~ ~~4, 979~~ Total stockholders' equity ~~37, 019~~ ~~(15, 452)~~ ~~(15, 313)~~ - ~~6, 254~~ Total Liabilities and Equity \$ ~~37, 610~~ \$ ~~19, 406~~ \$ ~~4, 168~~ \$ ~~(49, 951)~~ \$ ~~11, 233~~ As of ~~For the year ended~~ December 31, ~~2022~~ ~~2024~~ The Company Consolidated Subsidiaries Consolidated VIE Elimination Consolidation US \$ US \$ US \$ US \$ US \$ US \$ Revenues Assets Cash and cash equivalents- ~~3~~ ~~5~~, ~~813~~ ~~530~~ ~~9, 909~~ - ~~15, 439~~ Cost of revenues- ~~5, 151~~ ~~9, 842~~ - ~~14, 993~~ Total operating expenses ~~1, 483~~ ~~2, 058~~ - ~~4, 203~~ Loss from operations (~~391~~ Accounts receivable, net-- ~~1, 483~~ ~~745~~ - ~~1, 745~~ Prepayment and..... ~~37, 624~~ ~~(11, 065)~~) ~~(283~~ ~~14, 262)~~ - ~~12~~ ~~(1, 991)~~ - ~~(3~~ ~~297~~ Total Liabilities and Equity \$ ~~38, 463~~ - ~~26~~ ~~757~~) Other income / (expenses)-- Income / (loss) before income tax benefit and noncontrolling interests (~~1, 483~~) ~~(1, 902)~~ - ~~(3, 370)~~ Income tax benefit / (expense)-- ~~(399)~~ - ~~(399)~~ Net income / (loss) (~~1, 483~~) ~~(2, 301)~~ - ~~(5, 319)~~ - ~~(50~~ ~~3, 425~~ ~~769)~~) \$ ~~19~~ Net income attributable to noncontrolling interests--- Net income / (loss) attributable to ZW Data Action Technologies Inc. (~~1, 658~~ ~~483~~) ~~(2, 293)~~ - ~~(3, 761)~~ For the year ended December 31, 2023 The Company Consolidated Subsidiaries Consolidated VIE Elimination Consolidation US \$ US \$ US \$ US \$ US \$ US \$ Revenues- ~~30, 437~~ ~~(71)~~ ~~30, 585~~ Cost of revenues- ~~1, 005~~ ~~30, 087~~ ~~(71)~~ ~~31, 021~~ Total operating expenses ~~3, 390~~ ~~1, 361~~ ~~(24)~~ ~~5, 576~~ Loss from operations ~~(849)~~ ~~(4, 176)~~ ~~(1, 011)~~ ~~(6, 012)~~ Other income / (expenses) ~~(238)~~ ~~(24)~~ Income / (loss) before income tax benefit and noncontrolling interests ~~(664)~~ ~~(4, 063)~~ ~~(1, 249)~~ - ~~(5, 976)~~ Income tax benefit--- Net income / (loss) ~~(664)~~ ~~(4, 063)~~ ~~(1, 247)~~ - ~~(5, 974)~~ Net income attributable to noncontrolling interests---- Net income / (loss) attributable to ZW Data Action Technologies Inc. ~~(664)~~ ~~(4, 063)~~ ~~(1, 247)~~ - ~~(5, 974)~~ For the year ended December 31, ~~2022~~ ~~2024~~ The Company Consolidated Subsidiaries Consolidated VIE Elimination Consolidation US \$ US \$ US \$ US \$ US \$ US \$ Revenues- ~~2, 048~~ ~~25, 454~~ Net cash (used in) / provided by operating activities (~~598~~) ~~(1, 070~~ ~~267)~~ ~~26, 235~~ Cost of revenues- ~~2, 097~~ ~~25, 599~~ ~~(1, 267)~~ ~~26, 429~~ Total operating expenses ~~7, 000~~ ~~3, 133~~ ~~(16)~~ ~~10, 925~~ Loss from operations ~~(808)~~ - ~~(7~~ ~~390)~~ - ~~(2, 049~~ ~~058)~~ Net cash provided by / (used in) investing activities (~~477~~) ~~(3~~ ~~2)~~ Net cash (used in) / provided by financing activities ~~1, 278~~ ~~075~~ ~~(458)~~ ~~1, 145~~ Effect of exchange rate fluctuation- ~~(2)~~ - Net (decrease) / increase in cash and cash equivalents- ~~(343)~~) ~~(5~~ ~~11, 119)~~ Cash and cash equivalents, at beginning of Other-- the year income / (expenses) ~~1, 854~~ ~~(166)~~ ~~(347)~~ ~~(16)~~ ~~1, 325~~ Income / (loss) before income tax benefit and noncontrolling interests ~~1, 046~~ ~~(7, 215)~~ ~~(3, 625)~~ - ~~(9, 794)~~ Income tax benefit- Cash and cash equivalents -- Net income / (loss) ~~1, 046~~ ~~(7, 215)~~ ~~(3, 622)~~ - ~~(9, 791)~~ Net income attributable to noncontrolling interests---- Net income / (loss) attributable to ZW Data Action Technologies Inc. \$ ~~1, 046~~ - ~~(7, 215)~~ - ~~(3, 622)~~ - ~~(9, 791)~~ For the year ended December 31, 2023 The Company Consolidated Subsidiaries Consolidated VIE Elimination Consolidation US \$ US \$ US \$ US \$ US \$ US \$ Net cash (used in) / provided by operating activities (~~787~~) ~~(603)~~ ~~(622)~~ - ~~(2, 012)~~ Net cash provided by / (used in) investing activities (~~1, 956~~) ~~(135)~~ ~~(233)~~ ~~(1, 537)~~ Net cash (used in) / provided by financing activities- ~~(787)~~ - Effect of exchange rate fluctuation- ~~(17)~~ ~~(8)~~ - ~~(25)~~ Net (decrease) / increase in cash and cash equivalents- ~~(3, 363)~~ ~~(211)~~ ~~(3, 574)~~ Cash and cash equivalents, at beginning of the year- ~~3, 813~~ - ~~4, 391~~ Cash and cash equivalents, at end of the year \$ - \$ - \$ - \$ For the year ended December 31, 2022 The Company Consolidated Subsidiaries Consolidated VIE Elimination Consolidation US \$ US \$ US \$ US \$ US \$ US \$ Net cash (used in) / provided by operating activities (~~481~~) ~~(2, 781)~~ - ~~(3, 189)~~ Net cash provided by / (used in) investing activities (~~139~~) Net cash (used in) / provided by financing activities - ~~(481)~~ - Effect of exchange rate fluctuation- ~~(115)~~ ~~(30)~~ ~~(145)~~ Net (decrease) / increase in cash and cash equivalents- ~~(3, 179)~~ ~~(2, 782)~~ Cash and cash equivalents, at beginning of the year- ~~6, 992~~ - ~~7, 173~~ Cash and cash equivalents, at end of the year \$ - \$ ~~3, 813~~ \$ ~~578~~ - \$ ~~4, 391~~ Risks Associated With Doing Business In China There are substantial risks associated with doing business in China, as set forth in the following risk factors. Our operations and assets in China are subject to significant political and economic uncertainties. Changes in PRC laws and regulations, or their interpretation, or the imposition of confiscatory taxation, restrictions on currency conversion, imports and sources of supply, devaluations of currency or the nationalization or other expropriation of private enterprises could have a material adverse effect on our business, results of operations and financial condition. Under its current leadership, the Chinese government has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. There is no assurance, however, that the Chinese government will continue to pursue these policies, or that it will not significantly alter these policies from time to time without notice. The PRC government' s significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our listed securities. We conduct our operations in China through our PRC subsidiaries, our VIEs, with which we have maintained contractual arrangements, and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation and / or the value

of our securities. Also, the PRC government has recently promulgated certain regulations and rules to exert more oversight and control over offerings that are conducted overseas and / or foreign investment in China- based issuers. For example, on July 6, 2021, the relevant PRC government authorities made public the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (the “ Opinions ”). The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China- based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China- based overseas- listed companies. On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (collectively, the “ Filing Rules ”), which came into effect on March 31, 2023. Pursuant to the Filing Rules, domestic companies that seek to offer or list their securities in an overseas market, whether directly or indirectly, are required to fulfill relevant filing procedure and report relevant information to the CSRC. On December 28, 2021, the NDRC, the MIIT, and several other administrations jointly published the Measures for Cybersecurity Review, effective on February 15, 2022, which required that, among others, operators of “ critical information infrastructure ” purchasing network products and services or network platform operators carrying out data processing activities, that affect or may affect national security, shall apply with the Cybersecurity Review Office for a cybersecurity review. In addition, a network platform operator holding over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before any public offering at a foreign stock exchange. On November 14, 2021, the CAC released the draft Administrative Measures for Internet Data Security (the “ Draft Measures for Internet Data Security ”), for public comments, which requires, among others, that a prior cybersecurity review should be required for listing abroad of data processors which process over one million users’ personal information, and the listing of data processors in Hong Kong which affects or may affect national security. Since the Draft Measures for Internet Data Security is in the process of being formulated, and the Opinions, the Filing Rules and the Measures for Cybersecurity Review are relevantly new and remain unclear on how it will be interpreted, amended and implemented by the relevant PRC governmental authorities, it remains uncertain whether we can obtain the specific regulatory approvals from, and complete the required filings with the CSRC, CAC or any other PRC government authorities for our future securities offering in a timely basis or at all. If we are unable to obtain such approvals or complete such filings, or such approvals or filings are rescinded even if obtained, our ability to continue to offer securities to investors will be significantly limited or completely hindered, and the value of such securities may be significantly decline or be worthless. In addition, implementation of industry- wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business. Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available to you and us. 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 which may have a retroactive effect. As a result, we may 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 materially and adversely affect our business and impede our ability to continue our operations. PRC regulations relating to mergers and acquisitions of domestic enterprises by foreign investors may increase the administrative burden we face and create regulatory uncertainties. The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, (the “ M & A Rules ”), which adopted by six PRC regulatory agencies, took effect as of September 8, 2006 and was subsequently amended on June 22, 2009. This M & A Rules established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time- consuming and complex. In addition, the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises (the “ Rules Concerning Security Review on M & A ”), issued by the Ministry of Commerce in August 2011, specify that mergers and acquisitions by foreign investors involved in “ an industry related to national security ” are subject to strict review by the Ministry of Commerce, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement. We believe that our business is not in an industry related to national security, but we cannot preclude the possibility that the competent PRC government authorities may publish explanations contrary to our understanding or broaden the scope of such security reviews in the future, in which case our future acquisitions and investment in China, including those by way of entering into contractual arrangements with target entities, may be closely scrutinized or prohibited. Moreover, according to the Anti- Monopoly Law, as amended, the SMAR should be notified in advance of any concentration of undertaking if certain filing thresholds are triggered. We may grow our business in part by directly acquiring complementary businesses in China. Complying with the requirements of these laws and regulations and other regulations of China to complete such transactions could be time- consuming, and any of these required approval processes, may delay or inhibit our ability to complete such transactions. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected. In December 2020, the NDRC and the Ministry of Commerce promulgated the Measures for the Security Review of Foreign

Investment, which came into effect on January 18, 2021. As these measures are recently promulgated, official guidance has not been issued. Currently, the interpretation of those measures remains unclear in many aspects, such as what would constitute “important information technology and internet services and products” and whether these measures may apply to foreign investment that is implemented or completed before the enactment of these new measures. Such uncertainties may restrict our ability to implement our acquisition strategy and adversely affect our business and prospects. The approval of and the filing with the CSRC or other PRC government authorities may be required in connection with our future offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing. On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As a follow-up, on February 17, 2023, the CSRC, as approved by the State Council, released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and a series of associated regulatory guidelines (collectively, the “Filing Rules”), which came into effect from March 31, 2023. The Filing Rules establish a new filing-based regime to regulate overseas offerings of stocks, depository receipts, convertible corporate bond, or other equity securities, and overseas listing of these securities for trading, by domestic companies. According to the Filing Rules, domestic companies that directly or indirectly offer or list their securities in an overseas market should file with the CSRC. Specifically, the examination and determination of an indirect offering and listing will be conducted on a substance-over-form basis, and an offering and listing should be considered as an indirect overseas offering and listing by a domestic company if the issuer meets both of the following conditions: (i) any of the revenue, profits, total assets or net assets of such domestic company in the most recent financial year account for more than 50% of the corresponding data in the issuer’s audited consolidated financial statements for the same period; and (ii) the majority of its business operations are conducted in mainland China or its principal place of business is located in the mainland China, or the majority of senior management in charge of business operations are Chinese citizens or have domicile in the mainland China. According to the Filing Rules, the issuer or its affiliated domestic company, as the case may be, must file with the CSRC for its initial public offering, follow-on offering and other equivalent offering activities. Particularly, a listed company like us is required to submit the filing with respect to its follow-on offerings, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities, within a specific time frame, which is within three business days after completion of such follow-on offering, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities. Failure to comply with the filing requirements may result in an order of rectification, a warning and fines to the relevant domestic companies, and a warning and fines on the controlling shareholder, the actual controller and other responsible persons. The Filing Rules also sets forth certain regulatory red lines for overseas offerings and listings by domestic enterprises and additional reporting obligations for listed companies in the case of material changes. In a Q & A released on the CSRC’s official website, the respondent CSRC official stated that the domestic companies which have listed their securities in the overseas market as of March 31, 2023 will be regarded as the existing overseas listed companies, which will not be required to file with the CSRC until they conduct any new offerings subject to the filing requirements under the Filing Rules. The Q & A also addressed the contractual arrangements and pointed out that, as for companies with contractual arrangements seeking overseas offering, the CSRC will solicit opinions from relevant regulatory authorities and complete the filing procedures for companies with contractual arrangements complying with relevant laws and regulations. If we fail to file with the CSRC in a timely manner or at all, for any future offering (including, among others, follow-on offerings, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities) pursuant to the Filing Rules due to our contractual arrangements, our ability to raise or utilize funds could be materially and adversely affected, and we may even need to unwind our contractual arrangements or restructure our business operations to rectify the failure to complete the filings. However, as the Filing Rules were recently promulgated, there remain substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing. On February 24, 2023, the CSRC, jointly with other relevant governmental authorities, promulgated the revised Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and Listing by Domestic Enterprises (the “Confidentiality and Archives Management Provisions”), which took effect on March 31, 2023. According to the Confidentiality and Archives Management Provisions, domestic companies, whether offering and listing securities overseas directly or indirectly, must strictly abide the applicable laws and regulations when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. If such documents or materials contain any state secrets or government authorities work secrets, domestic companies must obtain the approval from competent governmental authorities according to the applicable laws, and file with the secrecy administrative department at the same level with the approving governmental authority. Furthermore, the Confidentiality and Archives Management Provisions also provides that securities companies and securities service providers shall also fulfill the applicable legal procedures when providing overseas regulatory institutions and other relevant institutions and individuals with documents or materials containing any state secrets or government authorities work secrets or other documents or materials that, if divulged, will jeopardize national security or public interest. On December 27, 2021, the NDRC and the Ministry of Commerce jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (the “2021 Negative List”), which became effective on January 1, 2022. Pursuant to the 2021 Negative List, if a PRC company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the issuer shall not be involved in the company’s operation and management, and their shareholding percentages shall be subject, mutatis

mutandis, to the relevant regulations on the domestic securities investments by foreign investors. As the 2021 Negative List is relatively new, there remain substantial uncertainties as to the interpretation and implementation of these new requirements, and it is unclear as to whether and to what extent listed companies like us will be subject to these new requirements. If we are required to comply with these requirements and fail to do so on a timely basis, if at all, our business operation, financial conditions and business prospect may be adversely and materially affected. In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that any additional approval and filing from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the Measures for Cybersecurity Review and the Draft Measures for Internet Data Security, are required for our offshore offerings, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing procedures and any such approval or filing could be rescinded or rejected. Any failure to obtain or delay in obtaining such approval or completing such filing procedures for our offshore offerings, or a rescission of any such approval or filing if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or filing or other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our listed securities. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed securities. Any failure or perceived failure by us to comply with the Anti- Monopoly Guidelines for Internet Platforms Economy Sector and other PRC anti- monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations. The PRC anti- monopoly enforcement agencies have strengthened enforcement under the PRC Anti- Monopoly Law in recent years. On December 28, 2018, the SAMR, issued the Notice on Anti- monopoly Enforcement Authorization, pursuant to which its province- level branches are authorized to conduct anti- monopoly enforcement within their respective jurisdictions. On September 11, 2020, the Anti- Monopoly Commission of the State Council issued Anti- monopoly Compliance Guideline for Operators, which requires operators to establish anti- monopoly compliance management systems under the PRC Anti- Monopoly Law to manage anti- monopoly compliance risks. On February 7, 2021, the Anti- Monopoly Commission of the State Council published Anti- Monopoly Guidelines for the Internet Platform Economy Sector that specified circumstances where an activity of an internet platform will be identified as monopolistic act as well as concentration filing procedures for business operators, including those involving variable interest entities. On March 12, 2021, the SAMR published several administrative penalty cases about concentration of business operators that violated PRC Anti- Monopoly Law in the internet sector. On October 23, 2021, the Standing Committee of the National People’ s Congress issued a discussion draft of the amended Anti- Monopoly Law, which proposes to increase the fines for illegal concentration of business operators to “ no more than ten percent of its last year’ s sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competition; or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition. ” The draft also proposes for the relevant authority to investigate transaction where there is evidence that the concentration has or may have the effect of eliminating or restricting competition, even if such concentration does not reach the filing threshold. On June 24, 2022, the Standing Committee of the National People’ s Congress passed the amended PRC Anti- Monopoly Law, which became effective on August 1, 2022. As a follow- up, in March 2023, the SAMR issued four associated regulatory guidelines, which became effective on April 15, 2023. Given that we do not hold a dominant market position in the relevant markets and we have not entered into any monopolistic agreement, our PRC legal advisor, Beijing Kunrong Law Firm, is of the view that we are in compliance with the currently effective PRC anti- monopoly laws in all material aspects; however, if the PRC regulatory authorities identify any of our activities as monopolistic under the PRC Anti- Monopoly Law or the Anti- Monopoly Guidelines for the Internet Platform Economy Sector, or identify us holding a dominant market position or of abusing such dominant position, we may be subject to other investigations and administrative penalties, such as termination of monopolistic act and confiscation of illegal gains. There are significant uncertainties associated with the evolving legislative activities and varied local implementation practices of anti- monopoly and competition laws and regulations in China, especially with respect to the interpretation and implementation of the amended Anti- Monopoly Law. With the enactment of the amended Anti- Monopoly Law, it will be more difficult to complete the acquisition transaction. It will be costly for us to adjust our business practices in order to comply with these evolving laws, regulations, rules, guidelines and implementations. Any non- compliance or associated inquiries, investigations and other governmental actions may divert significant management time and attention and our financial resources, lead to negative publicity, liabilities or administrative penalties, therefore materially and adversely affect our financial conditions, operations and business prospects. If we are required to take any rectifying or remedial measures or are subject to any penalties, our reputation and business operations may be materially and adversely affected. Substantial uncertainties exist with respect to the interpretation and implementation of cybersecurity related regulations and cybersecurity review as well as any impact these may have on our business operations. The cybersecurity legal regime in China is relatively new and evolving rapidly, and their interpretation and enforcement involve

significant uncertainties. As a result, it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations in certain circumstances. Network operators in China are subject to numerous laws and regulations, and have the obligations to, among others, (i) establish internal security management systems that meet the requirements of the classified protection system for cybersecurity, (ii) implement technical measures to monitor and record network operation status and cybersecurity incidents, (iii) implement data security measures such as data classification, backups and encryption, and (iv) submit for cybersecurity review under certain circumstances. On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which imposes more stringent requirements on operators of "critical information infrastructure," especially in data storage and cross-border data transfer. On December 28, 2021, the CAC, the NDRC, the MIIT, and several other administrations jointly published the Measures for Cybersecurity Review, effective on February 15, 2022, which provides that certain operators of critical information infrastructure purchasing network products and services or network platform operators carrying out data processing activities, which affect or may affect national security, must apply with the Cybersecurity Review Office for a cybersecurity review. However, the scope of operators of "critical information infrastructure" under the current regulatory regime remains unclear and is subject to the decisions of competent PRC regulatory authorities. As advised by our PRC counsel, Beijing Kunrong Law Firm, the exact scope of operators of "critical information infrastructure" under the Measures for Cybersecurity Review and current PRC regulatory regime remains unclear, and is subject to the decisions of the relevant PRC government authorities that have been delegated the authority to identify operators of "critical information infrastructure" in their respective jurisdictions (including regions and industries). PRC government authorities have wide discretion in the interpretation and enforcement of these laws, including the identification of operators of "critical information infrastructure" and the interpretation and enforcement of requirements potentially applicable to such operators of "critical information infrastructure." As an internet platform, we are at risk of being deemed to be an operator of "critical information infrastructure" or a network platform operator meeting the above criteria under PRC cybersecurity laws. If we are identified as an operator of "critical information infrastructure," we would be required to fulfill various obligations as required under PRC cybersecurity laws and other applicable laws for such operators of "critical information infrastructure" thus currently not applicable to us, including, among others, setting up a special security management organization, organizing regular cybersecurity education and training, formulating emergency plans for cyber security incidents and conducting regular emergency drills, and although the internet products and services we purchase are primarily bandwidth, copyright content and marketing services, we may need to follow cybersecurity review procedure and apply with Cybersecurity Review Office before making certain purchases of network products and services. During cybersecurity review, we may be required to suspend the provision of any existing or new services to our users, and we may experience other disruptions of our operations, which could cause us to lose users and customers therefore leading to adverse impacts on our business. The cybersecurity review could also lead to negative publicity and a diversion of time and attention of our management and our other resources. It could be costly and time-consuming for us to prepare application materials and make the applications. Furthermore, there can be no assurance that we will obtain the clearance or approval for these applications from the Cybersecurity Review Office and the relevant regulatory authorities in a timely manner, or at all. If we are found to be in violation of cybersecurity requirements in China, the relevant governmental authorities may, at their discretion, conduct investigations, levy fines, request app stores to take down our apps and cease to provide viewing and downloading services related to our apps, prohibit the registration of new users on our platform, or require us to change our business practices in a manner materially adverse to our business. Any of these actions may disrupt our operations and adversely affect our business, results of operations and financial condition. On November 14, 2021, the CAC published a discussion draft of the Administrative Measures for Internet Data Security, or the Draft Measures for Internet Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. There have been no clarifications from the authorities as of the date of this annual report as to the standards for determining such activities that "affects or may affect national security." The CAC has solicited comments on this draft until December 13, 2021, but there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation. The Draft Measures for Internet Data Security, if enacted as proposed, may materially impact our capital raising activities. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results, especially if we need additional capital or financing. The interpretation and application of these cybersecurity laws, regulations and standards are still uncertain and evolving, especially the Draft Measures for Internet Data Security. We cannot assure you that relevant governmental authorities will not interpret or implement these and other laws or regulations in ways that may negatively affect us. We may be adversely affected by the complexity, uncertainties and changes in PRC licensing and regulation of internet businesses. The PRC government extensively regulates the internet industry, including the licensing and permit requirements pertaining to companies in this industry. Internet-related laws and regulations in China are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, it may be difficult to determine what actions or omissions may be deemed to be violations of applicable laws and regulations in certain circumstances. Our PRC operating VIEs engaged in ICP business have obtained their respective ICP permits and comply with the annual inspection and other related provisions. However, 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 if required by any new laws or regulations. In addition, due to the increasing popularity and use of the internet other online services, it is possible that additional laws and

regulations may be adopted with respect to the internet or other online services covering issues such as user privacy, pricing, content, copyrights and distribution. The adoption of additional laws or regulations may decrease the growth of the internet or other online services, which could in turn decrease the demand for our products and services and increase our cost of doing business. We derive a substantial portion of our sales from China. We derive a substantially portion of our sales from China. We anticipate that sales of our services in China will continue to represent a substantial proportion of our total sales in the near future. Any significant decline in the condition of the PRC economy could adversely affect consumer demand of our services, among other things, which in turn would have a material adverse effect on our business and financial condition. Currency fluctuations and restrictions on currency exchange may adversely affect our business, including limiting our ability to convert Chinese Renminbi into foreign currencies and, if Chinese Renminbi were to decline in value, reducing our revenue in U. S. dollar terms. Our reporting currency is the U. S. dollar and our operations in China use the local currency as their functional currencies. We are subject to the effects of exchange rate fluctuations with respect to any of these currencies. For example, the value of the Renminbi depends to a large extent on Chinese government policies and China's domestic and international economic and political developments, as well as supply and demand in the local market. On July 21, 2005, the Chinese government changed its policy of pegging the value of Chinese Renminbi to the U. S. dollar. Under the new policy, Chinese Renminbi may fluctuate within a narrow and managed band against a basket of certain foreign currencies. It is possible that the Chinese government could adopt a more flexible currency policy, which could result in more significant fluctuation of Chinese Renminbi against the U. S. dollar. We can offer no assurance that Chinese Renminbi will be stable against the U. S. dollar or any other foreign currency. The income statements of our operations are translated into U. S. dollars at the average exchange rates in each applicable period. To the extent the U. S. dollar strengthens against foreign currencies, the translation of these foreign currencies denominated transactions results in reduced revenue, operating expenses and net income for our international operations. Similarly, to the extent the U. S. dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions results in increased revenue, operating expenses and net income for our international operations. We are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign operating subsidiaries and VIEs into U. S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries and VIEs' financial statements into U. S. dollars will lead to a translation gain or loss which is recorded as a component of other comprehensive income. We have not entered into agreements or purchased instruments to hedge our exchange rate risks, although we may do so in the future. The availability and effectiveness of any hedging transaction may be limited and we may not be able to successfully hedge our exchange rate risks. Although Chinese governmental policies were introduced in 1996 to allow the convertibility of Chinese Renminbi into foreign currency for current account items, conversion of Chinese Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange, or SAFE, which is under the authority of the People's Bank of China. These approvals, however, do not guarantee the availability of foreign currency conversion. We cannot be sure that we will be able to obtain all required conversion approvals for our operations or those Chinese regulatory authorities will not impose greater restrictions on the convertibility of Chinese Renminbi in the future. Because a significant amount of our future revenue may be in the form of Chinese Renminbi, our inability to obtain the requisite approvals or any future restrictions on currency exchanges could limit our ability to utilize revenue generated in Chinese Renminbi to fund our business activities outside of China, or to repay foreign currency obligations, including our debt obligations, which would have a material adverse effect on our financial condition and results of operations. We may have limited legal recourse under PRC laws if disputes arise under our contracts with third parties. The Chinese government has enacted laws and regulations dealing with matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, their experience in implementing, interpreting and enforcing these laws and regulations is limited, and our ability to enforce commercial claims or to resolve commercial disputes is unpredictable. If our new business ventures are unsuccessful, or other adverse circumstances arise from these transactions, we face the risk that the parties to these ventures may seek ways to terminate the transactions, or, may hinder or prevent us from accessing important information regarding the financial and business operations of these acquired companies. The resolution of these matters may be subject to the exercise of considerable discretion by agencies of the Chinese government, and forces unrelated to the legal merits of a particular matter or dispute may influence their determination. Any rights we may have to specific performance, or to seek an injunction under PRC law, in either of these cases, are severely limited, and without a means of recourse by virtue of the Chinese legal system, we may be unable to prevent these situations from occurring. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations. We must comply with the Foreign Corrupt Practices Act. We are required to comply with the United States Foreign Corrupt Practices Act, which prohibits U. S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Foreign companies, including some of our competitors, are not subject to these prohibitions. If our competitors engage in these practices, they may receive preferential treatment from personnel of some companies, giving our competitors an advantage in securing business or from government officials who might give them priority in obtaining new licenses, which would put us at a disadvantage. Although we inform our personnel that such practices are illegal, we cannot assure you that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties. Changes in foreign exchange regulations in the PRC may affect our ability to pay dividends in foreign currency or conduct other foreign exchange business. The Renminbi is not a freely convertible currency, and the restrictions on currency exchanges may limit our ability to use revenues generated in Renminbi to fund our business activities outside the PRC or to make dividends or other payments in United States dollars. The PRC government strictly regulates conversion of Renminbi into foreign currencies. Over the years, foreign exchange regulations in the PRC have significantly reduced the government's control over routine foreign exchange transactions under current accounts. In the PRC,

the State Administration for Foreign Exchange, or the SAFE, regulates the conversion of the Renminbi into foreign currencies. Pursuant to applicable PRC laws and regulations, foreign invested enterprises incorporated in the PRC are required to apply for foreign exchange registration certificates. Currently, conversion within the scope of the “ current account ” (e. g. remittance of foreign currencies for payment of dividends, etc.) can be effected without requiring the approval of SAFE. However, conversion of currency in the “ capital account ” (e. g. for capital items such as direct investments, loans, securities, etc.) still requires the approval of SAFE. Any limitation on the ability of our PRC subsidiaries and VIEs to make payments to us, or the tax implications of making payments to us, could have a material adverse effect on our ability to conduct our business or our financial condition. As substantially all of our operations are conducted through our PRC subsidiaries and VIEs, as a Nevada holding company, our ability to pay dividends is primarily dependent on receiving distributions of funds from our PRC subsidiaries and VIEs. Relevant PRC statutory laws and regulations permit payments of dividends by our PRC subsidiaries and VIEs only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations and after it has met the PRC requirements for appropriation to statutory reserves. Paid in capital of the PRC subsidiaries and VIEs included in our consolidated net assets are also not distributable for dividend purposes. In accordance with the PRC regulations on Enterprises with Foreign Investment, a WFOE established in the PRC is required to provide certain statutory reserves, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise’ s PRC statutory accounts. A WFOE is required to allocate at least 10 % of its annual after-tax profit to the general reserve until such reserve has reached 50 % of its registered capital based on the enterprise’ s PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. Rise King WFOE is subject to the above mandated restrictions on distributable profits. Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide a statutory common reserve of at least 10 % of its annual after- tax profit until such reserve has reached 50 % of its registered capital based on the enterprise’ s PRC statutory accounts. A domestic enterprise is also required to provide for a discretionary surplus reserve, at the discretion of the board of directors. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. All of our other PRC subsidiaries and PRC VIEs are subject to the above mandated restrictions on distributable profits. The PRC Enterprise Income Tax (“ EIT ”) Law also imposes a 10 % withholding income tax for dividends distributed by a foreign invested enterprise to its immediate holding company outside China. A lower withholding tax rate will be applied if there is a tax treaty arrangement between mainland China and the jurisdiction of the foreign holding company. Holding companies in Hong Kong, for example, may enjoy the reduced withholding tax rate of 5 % rate, subject to certain conditions and requirements. The ability of our PRC subsidiaries to make dividends and other payments to us may also be restricted by changes in applicable foreign exchange and other laws and regulations. Currently, Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the State Administration of Foreign Exchange (the “ SAFE ”) is obtained and prior registration with the SAFE is made. Foreign- invested enterprises like Rise King WFOE that need foreign exchange for the distribution of profits to its shareholders may effect payment from their foreign exchange accounts or purchase and pay foreign exchange rates at the designated foreign exchange banks to their foreign shareholders by producing board resolutions for such profit distribution. Based on their needs, foreign- invested enterprises are permitted to open foreign exchange settlement accounts for current account receipts and payments of foreign exchange along with specialized accounts for capital account receipts and payments of foreign exchange at certain designated foreign exchange banks. Although the current Exchange Rules allow converting Chinese Renminbi into foreign currency for current account items, conversion of Chinese Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of SAFE, which is under the authority of the People’ s Bank of China. These approvals, however, do not guarantee the availability of foreign currency conversion. We cannot be sure that it will be able to obtain all required conversion approvals for our operations or the Chinese regulatory authorities will not impose greater restrictions on the convertibility of Chinese Renminbi in the future. Currently, most of our retained earnings are generated in Renminbi. Any future restrictions on currency exchanges may limit our ability to use retained earnings generated in Renminbi to make dividends or other payments in U. S. dollars or fund possible business activities outside China. The Public Company Accounting Oversight Board (the “ PCAOB ”) had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor has deprived our investors with the benefits of such inspections. Our auditor, the independent registered public accounting firm that issues the audit report in our SEC filings, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor is located in Hong Kong Special Administrative Region of the PRC (“ Hong Kong”), China, a jurisdiction where the PCAOB was unable to conduct inspections and investigations before 2022. As a result, we and investors in our securities were deprived of the benefits of such PCAOB inspections. On December 15, 2022, the PCAOB announced that it was able to secure complete access to inspect and investigate PCAOB- registered public accounting firms headquartered in China mainland and Hong Kong in 2022. However, the inability of the PCAOB to conduct inspections of auditors in Hong Kong in the past made it more difficult to evaluate the effectiveness of our independent registered public accounting firm’ s audit procedures or quality control procedures as compared to auditors outside of China mainland and Hong Kong that have been subject to the PCAOB inspections, which could cause investors and potential investors in our securities to lose confidence in our audit procedures and reported financial information and the quality of our financial statements. Our common stock may be delisted and prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, as amended by the

Accelerating Holding Foreign Companies Accountable Act, if the PCAOB is unable to inspect or investigate completely auditors located in China mainland and Hong Kong. The delisting of our common stock or the threat of their being delisted could cause the value of our common stock to significantly decline or be worthless, and thus you could lose all or substantial portion of your investment. On December 18, 2020, the Holding Foreign Companies Accountable Act, or the HFCAA, was signed into law that states if the SEC determines that issuers have filed audit reports issued by a registered public accounting firm that has not been subject to PCAOB inspection for three consecutive years beginning in 2021, the SEC shall prohibit its common stock from being traded on a national securities exchange or in the over-the-counter trading market in the U. S. Furthermore, on June 22, 2021, the U. S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, to prohibit securities of any registrant from being listed on any of the U. S. securities exchanges or traded over-the-counter if the auditor of the registrant's financial statements is not subject to PCAOB inspection for two consecutive years, instead of three consecutive years as enacted in the HFCAA. On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements of the HFCAA, pursuant to which the SEC will identify an issuer as a "Commission-Identified Issuer" if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely, and will then impose a trading prohibition on an issuer after it is identified as a Commission-Identified Issuer for three consecutive years. On December 29, 2022, the Accelerating Holding Foreign Companies Accountable Act was signed into law. On December 16, 2021, the PCAOB issued a HFCAA Determination Report (the "2021 PCAOB Determinations") to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in China mainland and Hong Kong because of positions taken by the Chinese authorities, and our auditor was subject to this determination. On May 13, 2022, the SEC conclusively identified us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 10-K for the fiscal year ended December 31, 2021. On August 26, 2022, the PCAOB signed a Statement of Protocol on agreement governing on inspections of audit firms based in mainland China and Hong Kong, with China Securities Regulatory Commission ("CSRC") and Ministry of Finance ("MOF") of the PRC, in regarding to governing inspections and investigations of audit firms headquartered in mainland China and Hong Kong (the "Agreement"). As stated in the Agreement, the Chinese authorities committed that the PCAOB has direct access to view complete audit work papers under its inspections or investigations and has sole discretion to the selected audit firms and audit engagements. The Agreement opens access for the PCAOB to inspect and investigate the registered public accounting firms in mainland China and Hong Kong completely. The PCAOB then thoroughly tested compliance with every aspect of the Agreement necessary to determine complete access. This included sending a team of PCAOB staff to conduct on-site inspections and investigations in Hong Kong over a nine-week period from September to November 2022. On December 15, 2022, the PCAOB issued its 2022 HFCAA Determination Report to notify the SEC of its determination that the PCAOB was able to secure complete access to inspect and investigate PCAOB-registered public accounting firms headquartered in China mainland and Hong Kong completely in 2022. The PCAOB Board vacated its 2021 PCAOB Determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in China mainland and Hong Kong. For this reason, we do not expect to be identified as a Commission-Identified Issuer following the filing of our annual report for the fiscal year ended December 31, 2022. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in China mainland and Hong Kong is subject to uncertainty and depends on a number of factors out of our, and our auditor's, control. The PCAOB is continuing to demand complete access in China mainland and Hong Kong moving forward and is already making plans to resume regular inspections in early 2023 and beyond, as well as to continue pursuing ongoing investigations and initiate new investigations as needed. The PCAOB does not have to wait another year to reassess its determinations. Should the PRC authorities obstruct the PCAOB's access to inspect or investigate completely in any way and at any point, the PCAOB will act immediately to consider the need to issue new determinations consistent with the HFCAA. We cannot assure you that our auditor will not be determined as a register public accounting firm that the PCAOB is unable to inspect or investigate completely for two consecutive years because of positions taken by the Chinese authorities and / or any other causes in the future. If the PCAOB in the future again determines that it is unable to inspect and investigate completely auditors in China mainland and Hong Kong, we may be identified as a Commission-Identified Issuer accordingly. If this happens, Nasdaq may determine to delist our common stock, and there is no certainty that we will be able to continue listing our common stock on other non-U. S. stock exchanges or that an active market for our common stock will immediately develop outside of the U. S. The prohibiting from trading in the United States or delisting of our common stock or the threat of their being delisted could cause the value of our common stock to significantly decline or be worthless, and thus you could lose all or substantial portion of your investment. If we become directly subject to the scrutiny involving U. S. listed Chinese companies, we may have to expend significant resources to investigate and / or defend the matter, which could harm our business operations, stock price and reputation. U. S. public companies that have substantially all of their operations in China have been the subject of intense scrutiny by investors, financial commentators and regulatory agencies. Much of the scrutiny has centered around financial and accounting irregularities and mistakes, a lack of effective internal controls over financial reporting and, in many cases, allegations of fraud. As a result of the scrutiny, the publicly traded stock of many U. S. listed China-based companies that have been the subject of such scrutiny has sharply decreased in value. Many of these companies are now subject to shareholder lawsuits and / or SEC enforcement actions that are conducting internal and / or external investigations into the allegations. If we become the subject of any such scrutiny, whether any allegations are true or not, we may have to expend significant resources to investigate such allegations and / or defend our company. Such investigations or allegations will be costly and time-consuming and distract our management from our business plan and could result in our reputation being harmed and our stock price could decline as a result of such allegations, regardless of the truthfulness of the allegations. Future inflation in China may inhibit our activity to conduct business in China. In recent years, the Chinese economy has experienced

periods of rapid expansion and high rates of inflation. These factors have led to the adoption by Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. High inflation may in the future cause Chinese government to impose controls on credit and / or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our services. The enforcement of the PRC Labor Contract Law and other labor- related regulations in the PRC may adversely affect our business and results of operations. The Standing Committee of the National People' s Congress enacted the Labor Contract Law on January 2008 and amended it on December 28, 2012. The Labor Contract Law introduced specific provisions related to fixed- term employment contracts, part- time employment, probationary periods, consultation with labor unions and employee assemblies, employment without a written contract, dismissal of employees, severance, and collective bargaining to enhance previous PRC labor laws. Under the Labor Contract Law, an employer is obligated to sign an unlimited- term labor contract with any employee who has worked for the employer for ten consecutive years. Further, if an employee requests or agrees to renew a fixed- term labor contract that has already been entered into twice consecutively, the resulting contract, with certain exceptions, must have an unlimited term. With certain exceptions, an employer must pay severance to an employee where a labor contract is terminated or expires. In addition, PRC governmental authorities have continued to introduce various new labor- related regulations since the effectiveness of the Labor Contract Law. Under the PRC Social Insurance Law and the Administrative Measures on Housing Fund, employees are required to participate in pension insurance, work- related injury insurance, medical insurance, unemployment insurance, maternity insurance and housing funds and employers are required, together with their employees or separately, to pay the social insurance premiums and housing funds for their employees. These laws designed to enhance labor protection tend to increase our labor costs. In addition, as the interpretation and implementation of these regulations are still evolving, our employment practices may not be at all times be deemed in compliance with the regulations. As a result, we could be subject to penalties or incur significant liabilities in connection with labor disputes or investigations, which could have a material adverse effect on our results of operations and financial condition. We may have difficulty establishing adequate management, legal and financial controls in the PRC. We may have difficulty in hiring and retaining a sufficient number of qualified employees to work in the PRC. As a result of these factors, we may experience difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet Western standards. We may have difficulty establishing adequate management, legal and financial controls in the PRC. You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on United States or other foreign laws against us and our management. We conduct a substantial portion of our operations in China and a substantial portion of our assets are located in China. In addition, some of our directors and executive officers reside within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon some of our directors and senior executive officers, including with respect to matters arising under U. S. federal securities laws or applicable state securities laws. It would also be difficult for investors to bring an original lawsuit against us or our directors or executive officers before a Chinese court based on U. S. federal securities laws or otherwise. Moreover, China does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. It may be difficult for overseas regulators to conduct investigation or collect evidence within China. 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 China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigations initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross- border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. 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 interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests. PRC enterprise income tax law could adversely affect our business and our net income. On March 16, 2007, the National People' s Congress of the PRC passed the revised Enterprise Income Tax Law (or EIT Law), which took effect on of January 1, 2008 and was subsequently amended on February 24, 2017 and December 29, 2018, respectively. The EIT Law imposes a unified income tax rate of 25 % on all companies established in China. Under the EIT Law, an enterprise established outside of the PRC with “ de facto management bodies ” within the PRC is considered as a resident enterprise and will normally be subject to the enterprise income tax at the rate of 25 % on its global income. The EIT Law, however, does not define the term “ de facto management bodies. ” If the PRC tax authorities subsequently determine that we should be classified as a resident enterprise, then our global income will be subject to PRC income tax at a tax rate of 25 %. With the introduction of the EIT Law, China has resumed imposition of a withholding tax (10 % in the absence of a bilateral tax treaty or new domestic regulation reducing such withholding tax rate to a lower rate). Per the Double Tax Avoidance Arrangement between Hong Kong and Mainland China, a Hong Kong company as the investor, which is considered a “ non- resident enterprise ” under the EIT Law, may enjoy the reduced withholding tax rate of 5 %, subject to certain conditions and requirements. As China Net HK is the sole shareholder of Rise King WFOE, substantially all of our income will derive from dividends we receive from Rise King WFOE through China Net HK. When we declare dividends from the income in the PRC, we cannot assure whether such dividends may be taxed at a reduced withholding tax rate of 5 % per the Double Tax Avoidance Arrangement between Hong Kong and Mainland China as the PRC tax authorities may regard our China Net HK as a shell company formed only for tax purposes and still deem Rise King WFOE in the PRC as the subsidiary directly owned by us. Based on the Notice on Certain Issues with respect to the Enforcement of Dividend Provisions in Tax Treaties,

issued on February 20, 2009 by the State Administration of Taxation, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Investors should note that the EIT Law provides only a framework of the enterprise tax provisions, leaving many details on the definitions of numerous terms as well as the interpretation and specific applications of various provisions unclear and unspecified. Any increase in our tax rate in the future could have a material adverse effect on our financial conditions and results of operations. Under the EIT Law, we may be classified as a “resident enterprise” of China. Such classification will likely result in unfavorable tax consequences to us and holders of our securities. Under the EIT Law, an enterprise established outside of China with its “de facto management body” in China is considered a “resident enterprise,” meaning that it can be treated the same as a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT Law defines “de facto management body” as an organization that exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of an enterprise. Currently no interpretation or application of the EIT Law and its implementing rules is available, therefore it is unclear how tax authorities will determine tax residency based on the facts of each case. If the PRC tax authorities determine that China Net is a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we will be subject to enterprise income tax at a rate of 25 % on our worldwide income as well as PRC enterprise income tax reporting obligations. This would mean that income such as interest on offering proceeds and other non- China source income would be subject to PRC enterprise income tax at a rate of 25 %. Second, although under the EIT Law and its implementing rules dividends paid to us by our PRC subsidiaries would qualify as “tax- exempt income,” we cannot guarantee that such dividends will not be subject to a 10 % withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Finally, a 10 % withholding tax will be imposed on dividends we pay to our non- PRC shareholders. Our Chinese operating companies are obligated to withhold and pay PRC individual income tax in respect of the salaries and other income received by their employees who are subject to PRC individual income tax. If they fail to withhold or pay such individual income tax in accordance with applicable PRC regulations, they may be subject to certain sanctions and other penalties, which could have a material adverse impact on our business. Under PRC laws, Rise King WFOE and the PRC Operating Entities will be obligated to withhold and pay individual income tax in respect of the salaries and other income received by their employees who are subject to PRC individual income tax. Such companies may be subject to certain sanctions and other liabilities under PRC laws in case of failure to withhold and pay individual income taxes for its employees in accordance with the applicable laws. In addition, the SAT has issued several circulars concerning employee stock options. Under these circulars, employees working in the PRC (which could include both PRC employees and expatriate employees subject to PRC individual income tax) are required to pay PRC individual income tax in respect of their income derived from exercising or otherwise disposing of their stock options. Our PRC entities will be obligated to file documents related to employee stock options with relevant tax authorities and withhold and pay individual income taxes for those employees who exercise their stock options. While tax authorities may advise us that our policy is compliant, they may change their policy, and we could be subject to sanctions. The non- U. S. activities of our non- U. S. subsidiaries and VIEs may be subject to U. S. taxation. We conduct a substantial portion of our business through our operating subsidiaries and VIEs in China and are subject to income tax in the PRC. ZW Data Action Technologies Inc. is a Nevada corporation and is subject to income tax in the United States. The Tax Cuts and Jobs Act (the “U. S. Tax Reform”) was signed into law on December 22, 2017, which significantly modified the U. S. Internal Revenue Code by, among other things, reducing the statutory U. S. federal corporate income tax rate from 35 % to 21 % for taxable years beginning after December 31, 2017; limiting and / or eliminating many business deductions; migrating the U. S. to a territorial tax system with a one- time transition tax on a mandatory deemed repatriation of previously deferred foreign earnings of certain foreign subsidiaries; subject to certain limitations, generally eliminating U. S. corporate income tax on dividends from foreign subsidiaries; and providing for new taxes on certain foreign earnings. The U. S. Tax Reform includes provisions for a new tax on global intangible low- taxed income (“GILTI”) effective for tax years of non- U. S. corporations beginning after December 31, 2017. The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of controlled foreign corporations (“CFCs”), subject to the possible use of foreign tax credits and a deduction equal to 50 percent to offset the income tax liability, subject to some limitations. The new GILTI tax would be imposed on us when our subsidiaries and VIEs that are CFCs generate income that is subject to Subpart F of the U. S. Internal Revenue Code beginning after December 31, 2017, and any such resulting U. S. corporate income tax imposed on us would reduce our consolidated net income. Risks Related to our Securities The Nasdaq may delist our securities from quotation on its exchange which could limit investors’ ability to make transactions in our securities and subject us to additional trading restrictions. Our Common Stock is traded on the Nasdaq Stock Market LLC (“Nasdaq”), a national securities exchange. ~~On February 17, 2022, we received a notice (the “Notice”) from Nasdaq indicating that our Common Stock failed to comply with the \$ 1.00 minimum bid price required for continued listing on The Nasdaq Capital Market under Nasdaq Listing Rule 5550 (a) (2) based upon the closing bid price of the Common Stock for the 30 consecutive business days prior to the date of the Notice. To regain compliance, the minimum bid price of the Common Stock must meet or exceed \$ 1.00 per share for a minimum ten consecutive business days at any point prior to August 12, 2022. On August 17, 2022, we received another notice from Nasdaq indicating that, while we had not regained compliance with the minimum bid price requirement, Nasdaq had determined that we were eligible for an additional 180- day period, or until February 13, 2023 to regain compliance. We filed a Certificate of Amendment to our Articles of Incorporation with the Secretary of State of the State of Nevada to effect a one- for- five (1 for 5) reverse stock split of our common stock (the “Common Stock”) pursuant to NRS Section 78.209, which became effective on January 18, 2023. On February 3, 2023, we received a letter from the Nasdaq notifying us that Nasdaq had determined that for 10 consecutive~~

business days, from January 20, 2023 to February 2, 2023, the closing bid price of our Common Stock had been at \$ 1.00 per share or greater. Accordingly, we regained compliance with the Listing Rule and this matter was closed. On April 17, 2024, we received a notice (the " Initial Notice ") from the Listing Qualifications Department of The Nasdaq Stock Market LLC (" Nasdaq ") notifying us that due to our failure (the " Initial Delinquent Filing ") to timely file its Annual Report on Form 10- K for the fiscal year ended December 31, 2023 (the " 2023 Form 10- K "), with the Securities and Exchange Commission (the " SEC "), we are not in compliance with Nasdaq' s continued listing requirements under Nasdaq Listing Rule 5250 (c) (1) (the " **Listing Rule 5250 (c) (1)** " Rule), which requires the timely filing of all required periodic reports with the SEC. The Company received a delinquency notification letter (the " **May** Notice ") from the Nasdaq on May 17, 2024 due to the Company' s non-compliance with the Rule as a result of the Company' s failure to timely file its Quarterly Report on Form 10- Q for the fiscal quarter ended March 31, 2024 (the " Form 10- Q "). The Notice states that the Company has until June 17, 2024, or 60 days from the Initial Notice, to submit to Nasdaq a plan to regain compliance with the Nasdaq Listing Rules. The Company submitted a plan of compliance. ~~On July 31, 2024, we received a letter from Nasdaq notifying us that based on~~ ~~the Company' s plan, then~~ ~~the June 28~~ ~~Nasdaq may grant the Company up to October 14, 2024, or 180 days from the due date of the Initial Delinquent Filing, for filing of the Initial Delinquent Filing and Form 10- K and the July 29, 2024, filing of the Form 10- Q to regain~~ ~~Nasdaq has determined that we have~~ ~~compliance~~ ~~complied~~ ~~If the Company fails to timely regain~~ ~~compliance with the Listing Rule 5250 (c) (1) Rule. Accordingly, this matter was closed~~ ~~the Company' s common stock will be subject to delisting from Nasdaq.~~ ~~On November 1, 2023, we received a notice (the " November Notice ") from Nasdaq indicating that its common stock, failed to comply with the \$ 1.00 minimum bid price required for continued listing on The Nasdaq Capital Market under Nasdaq Listing Rule 5550 (a) (2) (the " Bid Price Requirement ") based upon the closing bid price of the Common Stock for the 30 consecutive business days prior to the date of the November Notice. The Nasdaq rules provided the Company a compliance period of 180 calendar days from the Notice, or until April 29, 2024, to regain compliance with Rule 5550 (a) (2). On May 1, 2024, we received another notice (the " Second Notice ") from Nasdaq indicating that, while the Company has not regained compliance with the Bid Price Requirement, Nasdaq has determined that the Company is eligible for an additional 180- day period, or until October 28, 2024, to regain compliance. According to the Second Notice from Nasdaq, the Staff' s determination was based on (i) the Company meeting the continued listing requirement for market value of its publicly held shares and all other Nasdaq initial listing standards, with the exception of the minimum bid price requirement, and (ii) the Company' s written notice to Nasdaq of its intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary. ~~We filed a Certificate~~ ~~If at any time during this second 180- day compliance period,~~ ~~the closing bid price of~~ ~~Amendment to our Articles of Incorporation with the Secretary of State of the State of Nevada to effect a one- for- four (1 for 4) reverse stock split of our common stock pursuant to NRS Section 78.209, which became effective on September 30, 2024. As a result of the filing of the Certificate, the number of shares of the Company' s authorized~~ ~~Common Stock is at least \$ 1 per~~ ~~was reduced from 50,000,000 share shares to 12,500,000 shares and the issued and outstanding number of shares of the Common Stock was correspondingly decreased. On October 15, 2024, we received a letter from Nasdaq notifying us that Nasdaq had determined that~~ ~~for a minimum of 10 consecutive business days,~~ ~~from September 30, 2024 to~~ ~~Nasdaq will provide the Company with written confirmation of compliance. If compliance cannot be demonstrated by October 28 14 , 2024, Nasdaq will provide written notification that the closing bid price of our Common Stock will be delisted~~ ~~had been at \$ 1. At that time~~ ~~00 per share or greater. Accordingly, we regained~~ ~~compliance with the Bid Price Requirement and this matter was closed~~ ~~Company may appeal Nasdaq' s determination to a Hearings Panel.~~ There can be no assurance that we will continue being able to comply with Nasdaq' s ~~rule rules~~ or will otherwise be in compliance with other Nasdaq continued listing criteria. If Nasdaq delists our Common Stock from trading on its exchange, we could face significant material adverse consequences including: • a limited availability of market quotations for our securities; • a determination that our Common Stock is a " penny stock " which will require brokers trading in our Common Stock to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our Common Stock; • a limited amount of news and analyst coverage for our company; and • a decreased ability to issue additional securities or obtain additional financing in the future. Insiders have substantial control over us, and they could delay or prevent a change in our corporate control even if our other stockholders wanted it to occur. Our executive officers, directors, and principal stockholders hold approximately ~~17-13.6~~ % of our outstanding Common Stock. Accordingly, these stockholders are able to exert substantial influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This could delay or prevent an outside party from acquiring or merging with us even if our other stockholders wanted it to occur. There may not be sufficient liquidity in the market for our securities in order for investors to sell their securities. There is currently only a limited public market for our Common Stock and there can be no assurance that a trading market will develop further or be maintained in the future. As of ~~June 27~~ ~~April 11~~ , 2024 ~~2025~~ , the closing trade price of our Common Stock was \$ ~~0-1.76-48~~ per share. As of ~~June 28~~ ~~April 15~~ , 2024 ~~2025~~ , we had approximately 607 shareholders of record of our Common Stock, not including shares held in street name. In addition, during the past two fiscal years our Common Stock has had a trading range with a low price of \$ ~~0-1.70-55~~ per share and a high price of \$ ~~5-11.65-38~~ per share. The market price of our Common Stock may be volatile. The market price of our Common Stock has been and will likely continue to be highly volatile, as is the stock market in general. Some of the factors that may materially affect the market price of our Common Stock are beyond our control, such as changes in financial estimates by industry and securities analysts, conditions or trends in the industry in which we operate or sales of our common stock. These factors may materially adversely affect the market price of our Common Stock, regardless of our performance. In addition, the public stock markets have experienced extreme price and trading volume volatility particularly for companies whose primary operations are located in the PRC. This volatility has significantly affected the market prices of securities of many companies for reasons frequently unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely~~

affect the market price of our Common Stock. ~~The outstanding warrants may adversely affect us in the future and cause dilution to existing stockholders. We have warrants outstanding to purchase up to 594,168 shares of our Common Stock of which 594,168 warrants will expire on August 18, 2024. The exercise prices of these warrants range from \$ 17.95 to \$ 22.4375 per share, subject to adjustment in certain circumstances. Exercise of these warrants may cause dilution in the interests of other stockholders as a result of the additional Common Stock that would be issued upon exercise. In addition, sales of the shares of our Common Stock issuable upon exercise of these warrants could have a depressive effect on the price of our stock, particularly if there is not a coinciding increase in demand by purchasers of our Common Stock. Further, the terms on which we may obtain additional financing during the period any of these warrants remain outstanding may be adversely affected by the existence of these warrants as well.~~ We may need additional capital and may sell additional securities or other equity securities or incur indebtedness, which could result in additional dilution to our shareholders or increase our debt service obligations. We may require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities or equity-linked debt securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. We have not paid dividends in the past and do not expect to pay dividends in the future, and any return on investment may be limited to the value of our stock. We have never paid any cash dividends on our Common Stock and do not anticipate paying any cash dividends on our Common Stock in the foreseeable future and any return on investment may be limited to the value of our stock. We plan to retain any future earnings to finance growth. Techniques employed by manipulative short sellers in Chinese small cap stocks may drive down the market price of our common stock. Short selling is the practice of selling securities that the seller does not own but rather has, supposedly, borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is therefore in the short seller's best interests for the price of the stock to decline, many short sellers (sometimes known as "disclosed shorts") publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a stock short. While traditionally these disclosed shorts were limited in their ability to access mainstream business media or to otherwise create negative market rumors, the rise of the Internet and technological advancements regarding document creation, videotaping and publication by weblog ("blogging") have allowed many disclosed shorts to publicly attack a company's credibility, strategy and veracity by means of so-called research reports that mimic the type of investment analysis performed by large Wall Street firm and independent research analysts. These short attacks have, in the past, led to selling of shares in the market, on occasion in large scale and broad base. Issuers with business operations based in China and who have limited trading volumes and are susceptible to higher volatility levels than U. S. domestic large-cap stocks, can be particularly vulnerable to such short attacks. These short seller publications are not regulated by any governmental, self-regulatory organization or other official authority in the U. S., are not subject to the certification requirements imposed by the Securities and Exchange Commission in Regulation AC (Regulation Analyst Certification) and, accordingly, the opinions they express may be based on distortions of actual facts or, in some cases, fabrications of facts. In light of the limited risks involved in publishing such information, and the enormous profit that can be made from running just one successful short attack, unless the short sellers become subject to significant penalties, it is more likely than not that disclosed shorts will continue to issue such reports. While we intend to strongly defend our public filings against any such short seller attacks, oftentimes we are constrained, either by principles of freedom of speech, applicable state law (often called "Anti-SLAPP statutes"), or issues of commercial confidentiality, in the manner in which we can proceed against the relevant short seller. You should be aware that in light of the relative freedom to operate that such persons enjoy – oftentimes blogging from outside the U. S. with little or no assets or identity requirements – should we be targeted for such an attack, our stock will likely suffer from a temporary, or possibly long term, decline in market price should the rumors created not be dismissed by market participants. ITEM 1B. UNRESOLVED STAFF COMMENTS