

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2024

OR

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

For the transition period from ____ to ____

COMMISSION FILE NO. 001-34647

ZW DATA ACTION TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)

20-4672080
(I.R.S. Employer Identification No.)

8/F, 29 Des Voeux Road Central, Central,
Hong Kong Special Administrative Region of the People's Republic of China
(Address of principal executive offices)

+852 2669-8078
(Issuer's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Exchange On which Registered</u>
Common Stock, par value \$0.001	CNET	Nasdaq Capital Market

Securities Registered Pursuant to Section 12(g) of the Act: None.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a “smaller reporting company, or an emerging growth company. See the definition of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of 1,621,039 shares of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately \$4,927,959 on the last business day of the Registrant’s most recently completed second fiscal quarter, based on the last sale price of the registrant’s common stock on such date of \$3.04 per share, as reported on the Nasdaq Capital Market.

The number of shares outstanding of the Registrant’s common stock, \$0.001 par value as of April 15, 2025 was 2,301,205.

TABLE OF CONTENTS

PART I	1
ITEM 1 BUSINESS	1
ITEM 1A. RISK FACTORS	18
ITEM 1B. UNRESOLVED STAFF COMMENTS	46
ITEM 1C CYBERSECURITY	47
ITEM 2 PROPERTIES	47
ITEM 3 LEGAL PROCEEDINGS	48
ITEM 4 MINE SAFETY DISCLOSURES	48
PART II.	48
ITEM 5 MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	48
ITEM 6 [RESERVED]	49
ITEM 7 MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	49
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	64
ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	64
ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	64
ITEM 9A. CONTROLS AND PROCEDURES	65
ITEM 9B. OTHER INFORMATION	65
ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS	65
PART III.	66
ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	66
ITEM 11 EXECUTIVE COMPENSATION	71
ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	73
ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	74
ITEM 14 PRINCIPAL ACCOUNTANT FEE AND SERVICES	75
PART IV.	75
ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	75
ITEM 16 FORM 10-K SUMMARY	81

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipates”, “believes”, “expects”, “can”, “continue”, “could”, “estimates”, “expects”, “intends”, “may”, “plans”, “potential”, “predict”, “should” or “will” or the negative of these terms or other comparable terminology. These statements are only predictions. Uncertainties and other factors, including the risks outlined under Risk Factors contained in Item 1A of this Form 10-K, may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Our expectations are as of the date this Form 10-K is filed, and we do not intend to update any of the forward-looking statements after the filing date to conform these statements to actual results, unless required by law.

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy and information statements and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended. The SEC also maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding us and other companies that file materials with the SEC electronically. You may also obtain copies of reports filed with the SEC, free of charge, via a link included on our website at www.zdat.com.

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.

Our Holding Company Structure and Contractual Arrangements with Our Consolidated Variable Interest Entities ("VIEs") and Their Respective Individual Shareholders

ZW Data Action Technologies Inc. is not an operating company in China, but a Nevada holding company with no equity ownership in its VIEs. We conduct our operations in China through our PRC subsidiaries, our VIEs, with which we have maintained contractual arrangements, and their subsidiaries in China. PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunication services. Accordingly, we operate these businesses in China through our VIEs, and rely on contractual arrangements among our PRC subsidiaries, our VIEs and their shareholders to control the business operations of our VIEs. As used in this annual report, "we," "us," "our company," "the Company" or "our" refers to ZW Data Action Technologies Inc., a Nevada company, its subsidiaries, and, in the context of describing its operations and consolidated financial information, its consolidated affiliated entities in China, including, but not limited to, Business Opportunity Online (Beijing) Network Technology Co., Ltd. ("Business Opportunity Online") and Beijing CNET Online Advertising Co., Ltd. ("Beijing CNET Online"). Investors of our common stock are not purchasing equity interest in our operating entities in China but instead are purchasing equity interest in a Nevada holding company.

A series of contractual agreements, including exclusive business cooperation agreements, exclusive option agreements, equity pledge agreements, and irrevocable powers of attorney, have been entered into by and among our PRC subsidiaries, our VIEs and their respective shareholders. Terms contained in each set of contractual arrangements with our PRC subsidiaries, our VIEs and their respective shareholders are substantially similar. For more details of these contractual arrangements, see "Item 1. Business—Our subsidiaries and our VIE Structure."

The contractual arrangements may not be as effective as direct ownership in providing us with control over our consolidated VIEs and we may incur substantial costs to enforce the terms of the arrangements. Please refer to the discussion of uncertainties and risks in relation to our VIE Structure on page 12 under Business-Government Regulation contained in Item 1 and page 23 under Risk Factors-Risks Relating to Regulation of Our Business and to Our Structure contained in Item 1A of this Annual Report.

Our corporate structure is subject to risks associated with our contractual arrangements with our VIEs. Investors may never directly hold equity interests in our VIEs. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company, our PRC subsidiaries, our VIEs, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with our VIEs and, consequently, significantly affect the financial performance of our VIEs and our company as a whole.

There are also substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules regarding the status of the rights of our Nevada holding company with respect to its contractual arrangements with our VIEs and their respective shareholders. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or any of our VIEs is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See “Item 1A. Risk Factors—Risks Relating to 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.”

We face various legal and operational risks and uncertainties associated with being based in or having our operations primarily in China and the complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on offerings conducted overseas by, and foreign investment in China-based issuers, the use of our VIEs, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy. Our auditor is headquartered in Hong Kong, China, a jurisdiction where the PCAOB was unable to conduct inspections and investigations before 2022. We face risks associated with whether Public Company Accounting Oversight Board, or the PCAOB, will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in China mainland and Hong Kong, which is subject to uncertainty and depends on a number of factors out of our, and our auditor’s, control. This may impact our ability to conduct certain businesses, accept foreign investments, or list on United States or other foreign exchange outside of China. These risks could result in a material adverse change in our operations and the value of our common stock, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause the value of such securities to significantly decline. For a detailed description of risks related to doing business in China, see “Item 1A. Risk Factors—Risks Associated With Doing Business in China.”

PRC government’s significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature may cause the value of such securities to significantly decline or be of little or no value. For more details, see “Item 1A. Risk Factors—Risks Associated With Doing Business in China—The PRC government’s significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our listed securities.”

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our common stock. For more details, see “Item 1A. Risk Factors — Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.”

Permissions Required from the PRC Authorities for Our Operations

We conduct our business primarily through our subsidiaries, our VIEs and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our consolidated affiliated Chinese entities have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our holding company, our subsidiaries and our VIEs in China, including, among others, the ICP permits held by our PRC operating VIEs. However, given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by government authorities, we cannot assure you that we have obtained all the permits or licenses required for conducting our business in China. In addition, we may be required to obtain additional licenses, permits, filings or approvals for the services of our Internet platform in the future. For more detailed information, see “Item 1A. Risks Associated With Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC licensing and regulation of internet businesses.”

In connection with our previous issuance of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we, our PRC subsidiaries and our VIEs, (i) are not required to obtain permissions from the CSRC, (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China, or the CAC, and (iii) have not received or were denied such requisite permissions by any PRC authority.

However, on February 17, 2023, the CSRC 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 on March 31, 2023. In accordance with the Filing Rules, both direct listing and indirect listing activities of China based enterprises become subject to a unified filing requirement with the CSRC. In addition, an overseas listed company must also 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 required by the Filing Rules. Therefore, we will be required to file with the CSRC for our overseas offering of equity and equity linked securities in the future within the applicable scope of the Filing Rules. For more detailed information, see “Item 1A. Risk Factors—Risks Associated With Doing Business in China—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.”

Cash and Asset Flows through Our Organization

ZW Data Action Technologies Inc. transfers cash to its wholly-owned Hong Kong subsidiary, namely, CNET Online Technology Co. Limited, by making capital contributions or providing loans, and the Hong Kong subsidiary transfer cash to the subsidiaries in China by making capital contributions or providing loans to them. Because ZW Data Action Technologies Inc. and its subsidiaries control our VIEs through contractual arrangements, they are not able to make direct capital contribution to our VIEs and their subsidiaries. However, they may transfer cash to our VIEs by loans or by making payment to the VIEs for inter-group transactions.

For the year ended December 31, 2024, we transferred US\$0.48 million in cash to our operating subsidiaries. For the year ended December 31, 2023, we did not transfer any cash to our operating subsidiaries; however, one of our subsidiaries paid US\$0.79 million operating expenses in cash on behalf of us to the service providers, as a repayment of the shareholder loans provided by us to this subsidiary in previous years.

For the year ended December 31, 2024, our consolidated VIEs transferred US\$0.02 million to our consolidated subsidiaries as repayment of loans. For the year ended December 31, 2023, our consolidated subsidiaries transferred US\$0.55 million in cash to the consolidated VIEs in form of loans.

Our VIEs may transfer cash to our wholly foreign-owned enterprises (“WFOEs”) by paying service fees according to the exclusive business cooperation agreements. For the years ended December 31, 2024 and 2023, our VIEs did not pay any service fees to our Rise King WFOE under the exclusive business cooperation agreements.

For the years ended December 31, 2024 and 2023, no dividends or distributions were made to ZW Data Action Technologies Inc. by our subsidiaries. Under PRC laws and regulations, our PRC subsidiaries and VIEs are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by the State Administration of Foreign Exchange, or the SAFE. The total restricted net assets of our PRC subsidiaries and VIEs were approximately US\$13.23 million and US\$13.41 million as of December 31, 2024 and 2023, respectively. Furthermore, cash transfers from our PRC subsidiaries to entities outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may temporarily delay the ability of our PRC subsidiaries and VIEs to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. For risks relating to the fund flows of our operations in China, see “Item 1A. Risk Factors—Risks Associated With Doing Business in China—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.”

For the years ended December 31, 2024 and 2023, no assets other than cash were transferred through our organization.

ZW Data Action Technologies Inc. has not declared or paid any cash dividends, nor does it have any present plan to pay any cash dividends on its common stock in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividend.”

See also “Item 7. Management’ Discussion and Analysis of Financial Condition and Results of Operations —B. Liquidity and Capital Resources—Cash Transfer within Our Organization and the Related Restrictions.”

Financial Information Related to the VIEs

For more detailed information, see “Item 1A. Risk Factors—Risks Relating to Regulation of Our Business and to Our Structure—Condensed Consolidating Schedules.”

SUMMARY OF RISK FACTORS

An investment in our securities involves a high degree of risk. The occurrence of one or more of the events or circumstances described in the section titled “Risk Factors,” alone or in combination with other events or circumstances, may materially adversely affect our business, financial condition and operating results. In that event, the trading price of our securities could decline, and you could lose all or part of your investment. Such risks include, but are not limited to:

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.

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.

Privacy and data security concerns, laws, or other regulations could expose us to liability or impair our operations.

The occurrence of security breaches and cyber-attacks could negatively impact our business.

Risks Relating to Regulation of Our Business and to Our Structure

Our operations are substantially conducted through our PRC Operating Entities, or VIEs, and through our contractual agreements with each of our PRC Operating Entities and their shareholders in China. If the PRC government finds that the agreements that establish the structure for operating our business 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.

We rely on contractual arrangements with our PRC Operating Entities and their shareholders for our China operations, which may not be as effective in providing operational control as direct ownership.

Risks Associated With Doing Business In China

Our operations and assets in China are subject to significant political and economic uncertainties.

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.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

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.

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.

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.

Our PRC operating VIEs engaged in ICP business have obtained their respective ICP permits and comply with the annual inspection and other related provisions. We may be adversely affected by the complexity, uncertainties and changes in PRC licensing and regulation of internet businesses.

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. 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.

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 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.

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.

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.

The market price of our Common Stock has been volatile, and will be likely continue to be highly volatile, which is beyond our control and may result in substantial losses to our investors.

PART I

ITEM 1 BUSINESS

We are a holding company that conducts our businesses through our Hong Kong subsidiaries, PRC subsidiaries and operating entities (the “VIEs”). We primarily operate a one-stop services for our clients on our Omni-channel advertising, precision marketing and data analysis management system. We also develop blockchain enabled web/mobile applications and provides software solutions, i.e., Software-as-a-Service (“SaaS”) services for clients.

We derive our revenue principally by:

- distributing the right to use search engine marketing service we purchased from key search engines to increase the sales lead conversion rate for our clients’ business promotion on both mobile and computer searches;
- providing influencer marketing services for our clients’ businesses; and
- providing Blockchain-based SaaS Services.

We generated total revenues of US\$15.44 million for the year ended December 31, 2024, compared with US\$30.59 million in 2023. Net loss attributable to our stockholders was US\$3.76 million and US\$5.97 million for the years ended December 31, 2024 and 2023, respectively.

In 2018, we commenced to expand our business into the blockchain industry and the related technology. With the introduction of blockchain technology, we engaged two unrelated parties to develop two blockchain-technology powered platform applications named BO!News and OMG, respectively. The Bo!News application comprises of three key features: Firstly, BO!News is a platform for the business owners and potential entrepreneurs to exchange projects information. BO!News has a blockchain based information assurance checking feature, ensuring every business to provide reliable and truthful information with tracking or tracing of any changes hashed onto the blockchain. Secondly, BO!News contains a social networking forum with an embedded blockchain reward point mechanism for contents-sharing and comments, to encourage interaction between business owners and their customers, and to activate more stickiness of the customers of the business. Last, Bo!News has a blockchain contracting feature, which provides a more efficient and trustworthy contractual relationship signed through the Internet without face to face meeting, and allows operating through blockchain to affirm irrevocability and traceability of the contract for the business conducted through the Internet. OMG is originally planned to be developed for the use of small and medium brand stores’ reward/loyal points exchange. OMG App enables users (consumers and merchants) to integrate other stores’ reward/loyalty point cards into OMG point consolidation and exchange system built on the blockchain infrastructure platform, which helps consumers managing all of their different reward/loyalty points cards in a single way. Users of OMG will be rewarded with loyalty points for conducting transactions on OMG in the form of token. Merchants will also get benefit of using it as a marketing platform to push their advertising or promotion to their and non-competitors’ customer bases. As in our plan, all reward points in form of token issued by these APPs are not associated with any cryptocurrency and will not be listed in any crypto exchange. They can only be used in exchange for the services and/or products offered by our platform.

In 2021, we enhanced the development of our blockchain infrastructure platform, i.e., Blockchain Integrated Framework (“BIF”) platform under the OMG development contract, which platform have membership management, trusted and decentralized payment management and Non-Fungible Token (“NFT”) management etc. features, so that the BIF platform could be further integrated into other blockchain application scenarios to provide data storage, assurance and analysis services to the SMEs. We also developed a more comprehensive and upgraded open-core version of BIF in the SaaS model with an open-end control panel to a greater extent, allowing our clients to use it to develop their own NFTs for their IPs and branding in China for the reauthorization use of both domestic and overseas users. The BIF platform is currently being developed into a subscription model with a starting subscription fee and the fees will be increased in accordance with number of apps subscribed, transactions or the size of data stored through the platform. In addition, our clients will be able to self-code themselves based on the existing modules of the smart contracts for the customization on their own specific needs in a low-code practice, and extra usage fee will be charged on the top of monthly recurring revenue. We completed the development and integration of the BIF platform, and officially launched the BIF and Bo!News by the end of 2021. For the year ended December 31, 2024, we generated an approximately US\$0.75 million revenues from this our NFT SaaS services.

During fiscal 2024, we have strategically repositioned our core business, i.e., our Internet advertising and related data service business to have a renewed focus on international markets. We have shifted our client focus away from the distribution of search engine marketing services towards higher margin digital advertising opportunities, including influencer marketing services. We have continued to develop and optimize the functions of our blockchain-based applications, and to market and promote our SaaS services to our SME clients. We are also seeking to acquire and build teams with AI capabilities and proprietary intellectual properties that enable more accurate marketing solutions and cost-effective content creation so that we can better service our clients.

Recent Developments

Acquisition of Rahula

ChinaNet Investment Holding Limited (the “Purchaser”), a British Virgin Islands company and an indirect wholly-owned subsidiary of the Company, entered into a Share Sale and Purchase Agreement dated as of March 3, 2025 (the “Agreement”) with Vickie Chan, an individual (the “Seller”), pursuant to which the Seller agrees to sell, and the Purchaser agrees to buy, the 10,000 shares of Rahula Digital Media (HK) Limited, a Hong Kong company (the “Rahula”) that the Seller owns, transferring full legal and beneficial ownership. Rahula owns 100% equity interest in Shenzhen Shangye Business Consulting Services Co., Ltd., a People’s Republic of China company (together as “Rahula Group”). Rahula Group is principally engaged in the development and monetization of intellectual property rights on agent management, marketing data management, targeted marketing and mass marketing systems and technologies. The purchase price is US\$600,000. The transaction was completed on March 7, 2025.

Securities Purchase Agreements

On August 23, September 5, September 6, September 25, 2024, we entered into a securities purchase agreement with each of four investors (including one member of our Board of Directors), respectively, pursuant to which each purchaser agreed to purchase 89,606 shares of common stock of the Company for an aggregate purchase price of US\$268,818. The number of shares have been restated to reflect the effect of the 1-for-4 reverse stock split on September 30, 2024.

On January 2, January 3, January 15, January 17, 2025, we entered into a securities purchase agreement with each of four investors, respectively, pursuant to which each purchaser agreed to purchase 119,100 shares of common stock of the Company for an aggregate purchase price of US\$250,110, representing a purchase price of US\$2.1 per share.

The closing of each transaction shall take place on the date mutually agreed by the parties, subject to the closing conditions contained in each such agreement. On the date that the agreement was signed, each purchaser entered into a lock-up agreement with us, respectively, whereby the purchaser agreed not to transfer the shares until six-month anniversary of the date of each agreement.

As of the date of this annual report, the transactions as described above have not completed.

Reverse Stock Split

The Board of Directors of the Company approved a reverse stock split of the Company's issued and outstanding shares of common stock, par value \$0.001 per share (the "Common Stock") at a ratio of 1-for-4 (the "Reverse Stock Split"). The Reverse Stock Split became effective on September 30, 2024 (the "Effective Date"). As a result, the number of shares of the Company's authorized Common Stock was reduced from 50,000,000 shares to 12,500,000 shares and the issued and outstanding number of shares of the Common Stock was correspondingly decreased. The Reverse Stock Split has no effect on the par value of the Company's Common Stock or authorized shares of preferred stock. When the Reverse Stock Split became effective, each four shares of issued and outstanding Common Stock were converted into one newly issued and outstanding share of Common Stock. No fractional shares were issued in connection with the Reverse Stock Split. Any fractional shares of Common Stock that would have otherwise resulted from the Reverse Stock Split were rounded up to the nearest full share. No cash or other consideration was paid in connection with any fractional shares that would otherwise have resulted from the Reverse Stock Split. As a result of the Reverse Stock Split, 8,704,506 shares of Common Stock that were issued and outstanding at September 30, 2024 was reduced to 2,301,205 shares of Common Stock (taking into account the rounding of fractional shares).

Except where otherwise specified, all number of shares, number of warrants, share prices, exercise prices and per share data in the condensed consolidated financial statements and notes to the condensed consolidated financial statements have been retroactively restated as if the Reverse Stock Split occurred at the beginning of the periods presented.

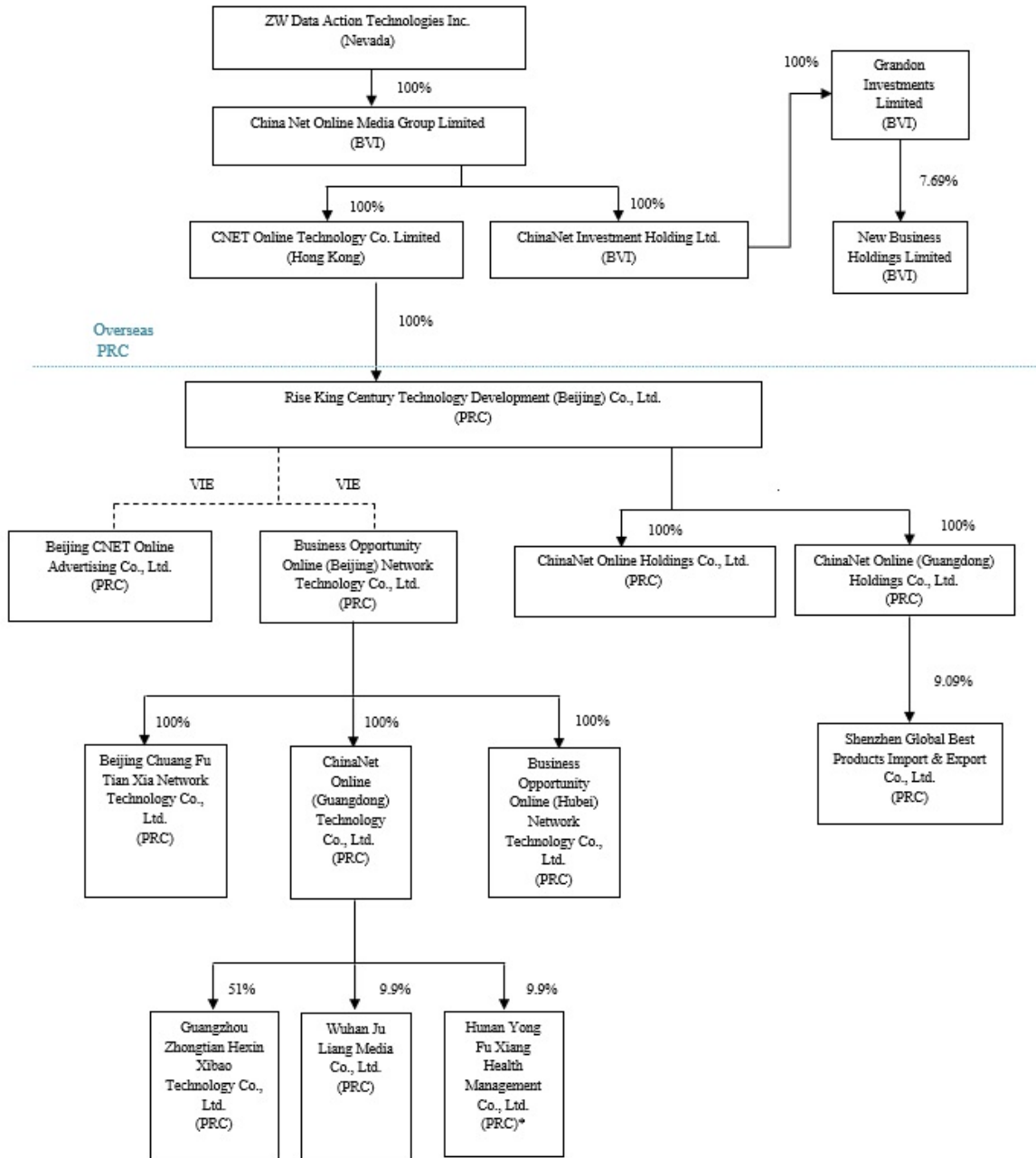
Regaining Nasdaq Compliance

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 were 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 Listing Rule 5250(c)(1) 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 May Notice states that the Company had 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 June 28, 2024, filing of the Form 10-K and the July 29, 2024, filing of the Form 10-Q, Nasdaq has determined that we have complied with the Listing Rule 5250(c)(1) Rule. Accordingly, this matter was closed.

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 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 was reduced from 50,000,000 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 10 consecutive business days, from September 30, 2024 to October 14, 2024, the closing bid price of our Common Stock had been at \$1.00 per share or greater. Accordingly, we regained compliance with the Bid Price Requirement and this matter was closed.

Our Subsidiaries, Variable Interest Entities (VIEs) and Ownership Interest Investment Affiliates

As of December 31, 2024, our corporate structure is set forth below:



* Previous known as Guangdong Yong Fu Xiang Health Management Co., Ltd.

→ Equity Interest
 - - - - - Contractual Arrangement with No Equity Ownership

Exclusive Option Agreements:

Under the Exclusive Option Agreements entered into by and among Rise King WFOE, each of the PRC Shareholders irrevocably granted to Rise King WFOE, or its designated person, an exclusive option to purchase, to the extent permitted by PRC law, a portion or all of their respective equity interest in any PRC Operating Entities for a purchase price of RMB10, or a purchase price to be adjusted to be in compliance with applicable PRC laws and regulations. Rise King WFOE, or its designated person, has the sole discretion to decide when to exercise the option, whether in part or in full. Each of these agreements shall become effective upon execution and remain effective until all equity interests held by the relevant PRC Shareholder(s) in the PRC Operating Entities have been transferred or assigned to Rise King WFOE and/or any other person designated by Rise King WFOE.

Equity Pledge Agreements:

Under the Equity Pledge Agreements entered into by and among Rise King WFOE, the PRC Operating Entities and each of the PRC Shareholders, the PRC Shareholders pledged all of their equity interests in the PRC Operating Entities to guarantee the PRC Operating Entities' and the PRC Shareholders' performance of the relevant obligations under the Exclusive Business Cooperation Agreements and other Contractual Agreements. If the PRC Operating Entities or any of the PRC Shareholders breaches its/his/her respective contractual obligations under these agreements, or upon the occurrence of one of the events regarded as an event of default under each such agreement, Rise King WFOE, as pledgee, will be entitled to certain rights, including the right to dispose of the pledged equity interests. The PRC Shareholders of the PRC Operating Entities agreed not to dispose of the pledged equity interests or take any actions that would prejudice Rise King WFOE's interest, and to notify Rise King WFOE of any events or upon receipt of any notices which may affect Rise King WFOE's interest in the pledge. Each of the equity pledge agreements will be valid until all the obligations under the Exclusive Business Cooperation Agreements and other Contractual Agreements have been fulfilled, including the service fee payments related to the Exclusive Business Cooperation Agreement are paid in full.

Irrevocable Powers of Attorney:

The PRC Shareholders have each executed an irrevocable power of attorney to appoint Rise King WFOE as their exclusive attorneys-in-fact to vote on their behalf on all PRC Operating Entities matters requiring shareholder approval. The term of each power of attorney is valid so long as such shareholder is a shareholder of the respective PRC Operating Entity.

As a result of these Contractual Agreements, we through our wholly-owned subsidiary, Rise King WFOE, were granted with unconstrained decision making rights and power over key strategic and operational functions that would significantly impact the PRC Operating Entities or the VIEs' economic performance, which includes, but is not limited to, the development and execution of the overall business strategy; important and material decision making; decision making for merger and acquisition targets and execution of merger and acquisition plans; business partnership strategy development and execution; government liaison; operation management and review; and human resources recruitment and compensation and incentive strategy development and execution. Rise King WFOE also provides comprehensive services to the VIEs for their daily operations, such as operational technical support, office administration technical support, accounting support, general administration support and technical support for products and services. As a result of the Exclusive Business Cooperation Agreements, the Equity Pledge Agreements and the Exclusive Option Agreements, Rise King WFOE has the obligation to absorb the losses and the right to receive benefits of the VIEs that could potentially be significant to the VIEs. Rise King WFOE is deemed to be the primary beneficiary of the PRC Operating Entities, or the VIEs, for accounting purposes only, which serves the purpose of consolidating the VIEs' operating results in the preparation of our consolidated financial statements under the U.S. GAAP.

However, there exist substantial uncertainties regarding regulations and their potential effect on our VIE structure and contractual arrangements. As of the date of this annual report, to the best knowledge of our company, our directors and management, our VIE agreements have not been tested in a court of law in the PRC and may not be effective in providing control over the VIEs as would direct equity ownership.

Please refer to the discussion of uncertainties and risks in relation to our VIE Structure on page 12 under Business-Government Regulation contained in Item 1 and page 23 under Risk Factors-Risks Relating to Regulation of Our Business and to Our Structure contained in Item 1A of this Annual Report.

As of December 31, 2024, besides China Net BVI, China Net HK and Rise King WFOE, as discussed above, we have five other indirectly wholly-owned subsidiaries, ChinaNet Investment Holding Ltd, a British Virgin Islands company (“ChinaNet Investment BVI”), Grandon Investments Limited, a British Virgin Islands company (“Grandon BVI”), ChinaNet Online Holdings Co., Ltd., a PRC company (“ChinaNet Online Holdings”) and ChinaNet Online (Guangdong) Holdings Co., Ltd., a PRC company (“ChinaNet Online Guangdong Holdings”).

Grandon BVI beneficially owns a 7.69% equity interest in New Business Holdings Limited (“New Business BVI”). New Business BVI is primarily in the business of developing blockchain and e-sports platforms and operating IP data for e-sports and games with strategic partners. ChinaNet Online Guangdong Holdings beneficially owns a 9.09% equity interest in Shenzhen Global Best Products Import & Export Co., Ltd. (“Global Best Products”). Global Best Products is primarily operating an online marketplace for health products retailing. The Business activities of Global Best Products are currently dormant.

Our VIEs, VIEs’ subsidiaries and other ownership interest investment affiliates

As discussed above, through Rise King WFOE, we beneficially own two VIEs: Business Opportunities Online and Beijing CNET Online. Business Opportunities Online is primarily engaged in providing Internet advertising, precision marketing and related data service to the SMEs. The business activities of Beijing CNET Online are currently dormant.

As of December 31, 2024, Business Opportunity Online has the following directly or indirectly wholly-owned subsidiaries in the PRC: Beijing Chuang Fu Tian Xia Network Technology Co., Ltd. (“Beijing Chuang Fu Tian Xia”), Business Opportunity Online (Hubei) Network Technology Co., Ltd. (“Business Opportunity Online Hubei”), and ChinaNet Online (Guangdong) Technology Co., Ltd. (“ChinaNet Online Guangdong Technology”). As of December 31, 2024, ChinaNet Online Guangdong Technology has the following majority-owned subsidiary with 51% equity interest: Guangzhou Zhongtian Hexin Xibao Technology Co., Ltd. (“Zhongtian Hexin”). Except for ChinaNet Online Guangdong Technology, which entity is primarily focuses on developing and operating blockchain technology-based products and services, all other Business Opportunity Online’s wholly-owned subsidiaries are engaged in providing Internet advertising, precision marketing and related data service to the SMEs.

As of December 31, 2024, through our operating VIEs, we also beneficially own a 9.9% equity interest in Hunan Yong Fu Xiang Health Management Co., Ltd (“Yong Fu Xiang”) and a 9.9% equity interest in Wuhan Ju Liang Media Co., Ltd. (“Wuhan Ju Liang”), respectively. Yong Fu Xiang is primarily engaged in providing health care consultancy and health management services, and Wuhan Ju Liang is primarily engaged in providing livestream operations services.

Industry and Market Overview

Overview of the Advertising Market in China

According to the “2024 Global Ad spend forecasts” published by Dentsu International in December 2024, the global advertising spending is expected to grow at a slower 5.9% in 2025. The advertising market in 2025 is expected to retain a positive trajectory in all regions. Growth is driven by continual advertising innovation with algorithmically enabled ad spend estimated to reach 79% in 2027. Advertising spending in the Asia Pacific is expected to grow by 5.8% year-over-year to US\$253.4 billion in 2025.

China’s advertising market is slowing in step with its economy and was also adversely affected by a challenging macroeconomic environment. However, China’s advertising market still remains one of the key drivers of global growth of advertising. Dentsu International forecasts that China’s total advertising spending will reach US\$128.3 billion with a 4.2% year-over-year growth in 2025 and is expected to grow by 3.6% in 2026.

The growth of China's advertising market is driven by a number of factors, including the sustained economic growth and increases in disposable income and consumption in China. China was the second largest economy in the world in terms of gross domestic product ("GDP"), which amounted to US\$18.5 trillion in 2024, with a year-over-year growth of 5%. According to the National Bureau of Statistics of China, the annual disposable income per capita in urban households increased to RMB54,188 in 2024, with a growth of 4.6%, after adjusted by the price factors.

Overview of the Internet Advertising Industry

According to the "2024 Global Ad spend forecasts" published by Dentsu International in December 2024, global ad-spending growth continues to be dominated by digital channels, which reached US\$469.8 billion and achieved 60.8% of the total ad-spend in 2024, and is expected to further increase to 62.7% and 64.4% of the total ad-spending in 2025 and 2026, respectively.

In China, the Internet advertising market growth is expected to stem primarily from a higher internet penetration rate of 78% by the end of June 2024. Total internet users reached approximately 1.1 billion people by the end of June 2024, increased by approximately 7.42 million people when compared to December 2023 (According to the 54th China Internet Network Development Statistical Report issued by China Internet Network Information Center (the "CNNIC") in March 2024).

High Demand for the Internet Advertising from SMEs and O2O Business in China

We believe that the Internet advertising market in China has significant potential for future growth due to high demand from the rapid development of SMEs and O2O business.

The development of the SME market is still in its early stages in China. Since their sales channels and distribution networks are still underdeveloped, they are driven to search for new participants by utilizing Internet advertising and precision marketing. The SMEs tend to be smaller, less-developed brands primarily focused on restaurants, garments, building materials, home appliances, and entertainment with low start-up costs. The Chinese government has promulgated a series of laws and regulations to protect and promote the development of SMEs which appeals to entrepreneurs looking to benefit from the central government's support of increased domestic demand. SMEs are now responsible for over 50% of China's tax revenues, over 60% of China's GDP and employment of over 80% of the urban Chinese workforce. SMEs are creating new urban jobs, and they are the main destination for new graduates entering the workforce and workers laid-off from state-owned enterprises (SOEs) that re-enter the workforce.

In recent years, the capital market, Internet giants and traditional offline services business in China have all accelerated their O2O business arrangement and development. With the advent of the mobile Internet era, the innovation of user needs, and applications have become the main trend of the Internet, including online payments, location-based services, online and offline interaction and more. Due to the slowdown of China's economy growth in recent years, the competitive market pressure within the local life services industry has increased. Under these circumstances, more and more traditional offline service providers started to use the Internet-based tools to market and promote their products and services. The rapid development of social media and short-form video applications and tools, such as: WeChat, Weibo, Xiaohongshu and Douyin etc., also have had a very important influence on the development of the O2O market, and using social media and short-form video applications and tools to promote brands and maintain customer relationships has become an important advertising and marketing trend for all offline business. In addition, the growing integration of AI applications in the advertising sector has become a key enabler for businesses seeking cost-effective content creation and accurate marketing solutions

Our Principal Products and Services

Internet Advertising, Precision Marketing and Related Data Services

Founded in 2003 and 2011, respectively, 28.com and liansuo.com are two of the leading Internet portals for information relating to small business opportunities in China, and 28.com is one of the earliest entrants in this sector. In the past few years, we further developed and upgraded the system and tools of our advertising portals, including customer user interface, and integrated our mobile functions. Besides our advertising portals, we also have established solid partnership relations with key search engines in China which entitle us to the distribution of the right to use their search engine marketing service which allows our customers to invest in their online advertising and marketing campaign through multi-channel to maximize market exposure and effectiveness.

Our Internet advertising, precision marketing and related data services provide advertisers with tools to build sales channels directly in the form of franchisees, sales agents, distributors, and/or resellers, and have the following features which enable them to be attractive to the advertisers:

- Allowing potential entrepreneurs interested in inexpensive franchise and other business ventures to find in-depth details about these businesses in various industries and business categories, with real-time and online assistance through an instant messenger;
- Providing one-stop integrated Internet marketing and advertising services for SMEs by offering customized services and advertisement placement on various communication channels through intelligent based promotion systems;
- Generating effective sales leads information; and
- Bundling with advanced traffic generation techniques, search-engine optimization and marketing and other Internet advertising management tools to assist our clients with monitoring, analyzing and managing their advertising and data collected on our web portal.

We typically charge our clients a fixed monthly fee for the Internet advertising and related data services that we provide on our ad portals. For distribution of the right to use the search engine marketing service, revenue is recognized on a monthly basis and at a gross amount, based on the direct cost consumed through search engines for providing such services with a premium.

Our Internet advertising, precision marketing and related data services segment also includes our influencer marketing services. We offer influencer marketing services that help our clients enhance their visibility and reach through influencer generated content. We connect brands with the right voices to effectively promote their products and drive engagement.

For the year ended December 31, 2024, we had 426 clients who used our Internet advertising, marketing and data services, compared with 634 clients for the year ended December 31, 2023. We achieved US\$14.7 million and US\$30.51 million of Internet advertising, precision marketing and related data and technical services revenues for the years ended December 31, 2024 and 2023, respectively, which accounted for 95.1% and 99.8% of our total revenues for the years ended December 31, 2024 and 2023, respectively. The overall gross profit margin of this business segment increased to 3.7% for the year ended December 31, 2024 from 1.1% for the year ended December 31, 2023. The decrease in revenue for this business segment is due to our plans to wind down our distribution of the right to use search engine marketing service business and focus on higher margin marketing services such as influencer marketing.

Blockchain-based SaaS services

From early 2022, we started to introduce our blockchain-based SaaS services to our customers. The SaaS services were designated in providing one-stop blockchain-powered enterprise management solutions via our BIF platform in forms of unique NFT generations, data record, share and storage modules subscriptions etc. For the year ended December 31, 2024 and 2023, we generated approximately US\$0.75 million and US\$0.08 million in revenue from this business segment, respectively.

Sales and Marketing

For the year ended December 31, 2024, we derived 95.1% of total net revenues from our Internet advertising and the provision of related data and technical services, compared with 99.8% for the year ended December 31, 2023.

We employ experienced advertising sales people and provide in-house education and training to our sales people to ensure that they provide our current and prospective clients with comprehensive information about our services, the benefits of using our advertising, marketing and data services and relevant information regarding the advertising industry. We also market our advertising services from time to time by placing advertisements on television and other well-known portals in China, participating in domestic and international franchise exhibitions in China and other countries and acting as a sponsor to third-party programming and shows.

Suppliers

Our suppliers are major search engines and/or their authorized agents, Internet gateways, other advertising resources suppliers, influencer agencies and technical service providers. For the year ended December 31, 2024, internet advertising resources purchased from two of our largest suppliers counted for approximately 51% of our total cost of revenues, in the aggregate, compared with approximately 82% from two of our largest suppliers for the year ended December 31, 2023.

Research and Development

For the year ended December 31, 2024, we did not have any research and development expenses. However, we are strategically shifting our focus towards advancing our research and development efforts towards artificial intelligence and the development of proprietary intellectual property that will enable us to deliver more accurate marketing solutions and cost-efficient content creation for our clients.

Intellectual Property

As of December 31, 2024, we had thirty-one software copyright certificates issued by the State Copyright Office of the PRC, including, but not limited to, software systems covering monitor and management platforms on Internet advertising effects, analysis systems on Internet traffic statistics and Internet user behavior, analysis systems on log-based visit hotspot and browsing trails, analysis systems on mobile advertising platform, Customer Relationship Management (CRM) system, cloud-compute technology and blockchain technology.

Competition

We compete with other Internet advertising companies for business opportunities in China, including companies that also distribute the right to use the search engine marketing services provide by key search engines in China, such as: Zhong Shi Lian Dong Technology (Beijing) Co., Ltd., Shenzhen Jiu Xing Hu Dong Technology Co., Ltd., and Hao Shang Hui Media (Guangzhou) Co., Ltd, and companies that operate Internet advertising portals for business opportunities of the SMEs, such as 78.cn, zhaoshangbang.com and 1637.com etc. We compete for clients primarily on the basis of network size and coverage, location, price, the range of services that we offer and our brand name. We also compete for overall advertising spending with other alternative advertising media companies, such as wireless telecommunications, street furniture, billboards, frame and public transport advertising companies, and with traditional advertising media, such as television, newspapers, magazines and radio. We also face competition from influencer agencies, who may have established relationships with our potential clients.

Government Regulation

The PRC government imposes extensive controls and regulations over the media industry, including on internet, television, radio, newspapers, magazines, advertising, media content production, and the market research industry. This section summarizes the principal PRC regulations that are relevant to our lines of business.

Regulations on the Value-added Telecommunication Services and Advertising Industry in China

Foreign Investments in Value-added Telecommunication Services

The Negative List restricts foreign investments in value-added telecommunication services, including providing Internet information services (“ICP”). In accordance with the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (“FITE Regulations”), which were issued by the State Council of the PRC on December 11, 2001, became effective on January 1, 2002 and was subsequently amended on September 10, 2008, February 6, 2016, and March 29, 2022, respectively. The FITE Regulations stipulate that foreign invested telecommunications enterprises in the PRC (“FITEs”) must be established as Sino-foreign equity joint ventures. Under the FITE Regulations and in accordance with WTO-related agreements, the foreign party to a FITE engaging in value-added telecommunications services may hold up to 50% of the equity of the FITE, with certain exceptions as approved by the relevant government authorities, but no geographic restrictions on the FITE’s operations. On June 30, 2016, the MIIT issued an Announcement of the Ministry of Industry and Information Technology (the “MIIT”) on Issues concerning the Provision of Telecommunication Services in the Mainland by Service Providers from Hong Kong and Macao, which provides that investors from Hong Kong and Macao may hold more than 50% of the equity in FITEs engaging in certain specified categories of value-added telecommunications services.

For a FITE to acquire any equity interest in a value-added telecommunications business in China, it must satisfy a number of stringent performance and operational experience requirements. FITEs that meet these requirements must obtain approvals from the MIIT or their authorized local counterparts, which retain considerable discretion in granting approvals.

On July 13, 2006, the Notice of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services (the “MIIT Notice”), which reiterates certain provisions of the FITE Regulations, was issued. Under the MIIT Notice, if a FITE intends to invest in a PRC value-added telecommunications business, the FITE must be established and must apply for a telecommunications business license applicable to the business. Under the MIIT Notice, a domestic company that holds a license for the provision of Internet content services, or an ICP license, is considered to be a type of value-added telecommunications business in China, and is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to conduct value-added telecommunications businesses illegally in China. Trademarks and domain names that are used in the provision of Internet content services must be owned by the ICP license holder or its shareholders. On November 27, 2017, the MIIT promulgated the Notice Regulating the Use of Domain Names in the Provision of Internet-based Information Services, or the Domain Names Notice, which became effective on January 1, 2018. Under the Domain Names Notice, a domain name used by a provider of Internet-based information services must be registered and owned by the provider or, if the provider is an entity, by a shareholder or senior management of the provider.

Foreign Investments in Advertising

In accordance with the Administrative Provision on Foreign Investment in the Advertising Industry, jointly promulgated by the SAMR and MOFCOM on August 22, 2008 and became effective on October 1, 2008, foreign investors can invest in PRC advertising companies either through wholly owned enterprises or joint ventures with Chinese parties. However, the foreign investor must have at least three years of direct operations outside China in the advertising industry as its core business. This requirement was reduced to two years if foreign investment in the advertising company is in the form of a joint venture. The Administrative Provision on Foreign Investment in the Advertising Industry was subsequently repealed by the SAMR and MOFCOM on June 29, 2015.

In consideration of the above discussed 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 ICP business and advertising business are operated by Business Opportunity Online in China. We have been, and are expected to continue to be, dependent on Business Opportunity Online to operate our ICP business and advertising business. We do not have any equity interest in our PRC Operating Entities, but Rise King WFOE receives the economic benefits of the same through the Contractual Arrangements.

We have been advised by our PRC counsel, as of the date hereof, our current contractual arrangements with our VIEs and their respective shareholders are valid, binding and enforceable. However, there exist substantial uncertainties regarding the application, interpretation and enforcement of current and future PRC laws and regulations and their potential effect on our corporate structure and contractual arrangements.

On March 15, 2019, the National People's Congress of the PRC approved the Foreign Investment Law, which came into effect on January 1, 2020, replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangements would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

Business License and permits for ICP and Advertising Companies

All PRC legal entities may commence operations only upon obtaining a business license from the relevant local branch of the SAMR.

On October 27, 1994, the Tenth Session of the Standing Committee of the Eighth National People's Congress adopted the Advertising Law, which became effective on February 1, 1995, and was subsequently amended on April 24, 2015, on October 26, 2018, and on April 29, 2021. According to the Revised Advertising Law and its various implementing rules, companies engaging in advertising activities must obtain from the SAMR or its local branches a business license which specifically includes within its scope the operation of an advertising business. Companies conducting advertising activities without such a license may be subject to penalties, including fines, confiscation of advertising income and orders to cease advertising operations. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant law or regulation. We have obtained such a business license from the local branches of the SAMR as required by existing PRC regulations. We do not expect to encounter any difficulties in maintaining the business license. However, if we seriously violate the relevant advertising laws and regulations, the SAMR or its local branches may revoke our business licenses.

On September 25, 2000, the State Council issued the Measures for the Administration of Internet Information Services ("ICP Measures"), and was subsequently amended on January 8, 2011. Under the ICP Measures, entities that provide information to online users on the Internet, or ICPs, are obliged to obtain an operating permit from the "MIIT or its local branch. ICP permits are subject to annual inspection. Our PRC operating VIEs engaged in ICP business have obtained their respective ICP permits and comply with the annual inspection and other related provisions. We do not expect to encounter any difficulties in maintaining the ICP operating permits. However, if we seriously violate the relevant ICP laws and regulations, the SAMR or its local branches may revoke our permits.

Advertising Content

PRC advertising laws, rules and regulations set forth certain content requirements for advertisements in China including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisements for anesthetic, psychotropic, toxic or radioactive drugs are prohibited. There are also specific restrictions and requirements regarding advertisements that relate to matters such as patented products or processes, pharmaceutical products, medical procedures, alcohol, tobacco, and cosmetics. In addition, all advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, together with any other advertisements which are subject to censorship by administrative authorities according to relevant laws or regulations, must be submitted to relevant authorities for content approval prior to dissemination.

Advertisers, advertising operators, including advertising agencies, and advertising distributors are required by PRC advertising laws and regulations to ensure that the content of the advertisements they prepare or distribute is true and in full compliance with applicable laws. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for advertisements and verify that the content of the advertisements complies with applicable PRC laws, rules and regulations. Prior to distributing advertisements that are subject to government censorship and approval, advertising distributors are obligated to verify that such censorship has been performed and approval has been obtained. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, the SAMR or its local branches may revoke violators' licenses or permits for their advertising business operations. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties in the course of their advertising business.

We do not believe that advertisements containing content subject to restriction or censorship comprise a material portion of the advertisements displayed on our media network. However, there can be no assurance that each advertisement displayed on our network complies with relevant PRC advertising laws and regulations. Failure to comply with PRC laws and regulations relating to advertisement content restrictions governing the advertising industry in China may result in severe penalties.

Regulation on Intellectual Property

Regulation on Trademark

The Trademark Law of the PRC was adopted at the 24th meeting of the Standing Committee of the Fifth National People's Congress on August 23, 1982 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and November April 23, 2019, respectively. The Trademark Law sets out the guidelines on administration of trademarks and protection of the exclusive rights of trademark owners. In order to enjoy an exclusive right to use a trademark, one must register the trademark with the Trademark Office of China National Intellectual Property Administration under the SAMR and obtain a registration certificate.

Regulation on Patents

The Patent Law of the PRC was adopted at the 4th Meeting of the Standing Committee of the Sixth National People's Congress on March 12, 1984 and subsequently amended in 1992, 2000, 2008 and 2020. The Patent Law extends protection to three kinds of patents: invention patents, utility patents and design patents. According to the Implementing Regulations of the Patent Law, promulgated by the State Council of the PRC on June 15, 2001, and subsequently amended in December 28, 2002 and January 9, 2010, respectively, an invention patent refers to a new technical solution relating to a product, a process or improvement. When compared to existing technology, an invention patent has prominent substantive features and represents notable progress. A utility patent refers to any new technical solution relating to the shape, the structure, or their combination, of a product. Utility patents are granted for products only, not processes. A design patent (or industrial design) refers to any new design of the shape, pattern or color of a product or their combinations, which creates an aesthetic feeling and are suitable for industrial application. Inventors or designers must register with the State Intellectual Property Office to obtain patent protection. The term of protection is twenty years for invention patents and ten years for utility patents and design patents. Unauthorized use of patent constitutes an infringement and the patent holders are entitled to claims of damages, including royalties, to the extent reasonable, and lost profits.

Regulation on Copyright

The Copyright Law of the PRC was adopted at the 15th Meeting of the Standing Committee of the Seventh National People's Congress on September 7, 1990 and amended on October 27, 2001, February 26, 2010, and November 11, 2020, respectively. Unlike patent and trademark protection, copyrighted works do not require registration for protection in China. However, copyright owners may wish to voluntarily register with the China Copyright Protection Center to establish evidence of ownership in the event enforcement actions become necessary. Consent from the copyright owners and payment of royalties are required for the use of copyrighted works. Copyrights of movies or other audio or video works usually expire fifty years after their first publication. The amended Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. The amended Copyright Law also requires registration of the pledge of a copyright.

Regulations on Foreign Currency Exchange

Foreign Currency Exchange

Pursuant to the Foreign Currency Administration Rules promulgated in 1996 and most recently amended in August 2008 and various regulations issued by SAFE and other relevant PRC government authorities, the Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, unless expressly exempted by laws and regulations, require the prior approval from SAFE or its local branch for conversion of the Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC.

Payments for transactions that take place within the PRC must be made in Renminbi. Domestic companies or individuals can repatriate foreign currency payments received from abroad or deposit these payments abroad subject to applicable regulations that expressly require repatriation within certain period. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local branch. Foreign currencies received under current account items can be either retained or sold to financial institutions engaged in the foreign exchange settlement or sales business without prior approval from SAFE by complying with relevant regulations. Foreign exchange income under capital account can be retained or sold to financial institutions engaged in foreign exchange settlement and sales business, with prior approval from SAFE unless otherwise provided.

After a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, became effective on June 1, 2015, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals will be required to apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration. On October 23, 2019, SAFE issued the Circular on Further Promoting Cross-border Trade and Investment Facilitation, or SAFE Circular 28. Among others, SAFE Circular 28 relaxes the prior restrictions and allows the foreign-invested enterprises without equity investment as in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investment as long as the investments are real and in compliance with the foreign investment-related laws and regulations. In addition, SAFE Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments.

Our business operations, which are subject to the foreign currency exchange regulations, have all been implemented in accordance with these regulations. We will take steps to ensure that our future operations comply with these regulations.

Dividend Distribution

The principal laws, rules and regulations governing dividends paid by PRC operating subsidiaries and VIEs include the Company Law of the PRC (1993), as amended in 2018, and the Foreign Investment Law and its Implementation Rules (2019). Under these laws and regulations, PRC subsidiaries and VIEs, including wholly owned foreign enterprises, or WFOEs, and domestic companies in China, may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, its PRC subsidiaries and VIEs, including WFOEs and domestic companies, are required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to their statutory capital reserve fund until the cumulative amount of such reserve reaches 50% of their respective registered capital. These reserves are not distributable as cash dividends.

Tax

On March 16, 2007, the Fifth Session of the Tenth National People's Congress of PRC passed the Enterprise Income Tax Law of the People's Republic of China, or EIT Law, which became effective on January 1, 2008 and was subsequently amended on February 24, 2017 and December 29, 2018, respectively. On November 28, 2007, the State Council at the 197th Executive Meeting passed the Regulation on the Implementation of the Income Tax Law of the People's Republic of China, which became effective on January 1, 2008 and was subsequently amended on April 23, 2019. The EIT Law adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises).

Under the EIT Law, enterprises are classified as either "resident enterprises" or "non-resident enterprises." Pursuant to the EIT Law and the Implementation Rules, enterprises established under PRC laws, or enterprises established outside China whose "de facto management bodies" are located in China, are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. According to the Implementation Rules, "de facto management body" refers to a managing body that in practice exercises overall management and control over the production and business, personnel, accounting and assets of an enterprise. Our management is currently based in China and is expected to remain in China in the future. In addition, although the EIT Law provides that "dividends, bonuses and other equity investment proceeds between qualified resident enterprises" is exempted income, and the Implementation Rules refer to "dividends, bonuses and other equity investment proceeds between qualified resident enterprises" as the investment proceeds obtained by a resident enterprise from its direct investment in another resident enterprise, however, it is unclear whether our circumstance is eligible for exemption.

Furthermore, the EIT Law and Implementation Rules provide that the "non-resident enterprises" are subject to the enterprise income tax rate of 10% on their income sourced from China, if such "non-resident enterprises" (i) do not have establishments or premises of business in China or (ii) have establishments or premises of business in China, but the relevant income does not have actual connection with their establishments or premises of business in China. Such income tax may be exempted or reduced by the State Council of the PRC or pursuant to a tax treaty between China and the jurisdictions in which its non-PRC shareholders reside. Under the Double Tax Avoidance Arrangement between Hong Kong and Mainland China, if the Hong Kong resident enterprise owns more than 25% of the equity interest in a company in China, the 10% withholding tax on the dividends the Hong Kong resident enterprise received from such company in China is reduced to 5%. If China Net HK is considered to be a Hong Kong resident enterprise under the Double Tax Avoidance Arrangement and is considered to be a "non-resident enterprise" under the EIT Law, the dividends paid to us by Rise King WFOE may be subject to the reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. However, 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.

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.

Human Capital Resources

Employees Profiles

As of December 31, 2024, we had 25 full-time employees, 6 of whom are in sales and marketing, 6 of whom are in operations and support and 13 of whom are in management and administration.

Employee Benefit Plans

We are compliant with local prevailing wage, contractor licensing and insurance regulations, and have good relations with our employees.

As required by PRC regulations, we participate in various employee benefit plans that are organized by municipal and provincial governments, including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans. We are required under PRC laws to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member’s retirement date.

Generally, we enter into a standard employment contract with our officers and managers for a set period of years and a standard employment contract with other employees for a set period of years. According to these contracts, all of our employees are prohibited from engaging in any activities that compete with our business during the period of their employment with us. Furthermore, the employment contracts with officers or managers include a covenant that prohibits officers or managers from engaging in any activities that compete with our business for two years after the period of employment.

Corporation Information

Our principal executive offices are located at 8/F, 29 Des Voeux Road Central, Central, Hong Kong. Our telephone number at this address is +852 2669-8078 and our fax number is +852 2669-8178. For more information, see our corporate website at www.zdat.com.

ITEM 1A. RISK FACTORS

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 customers continue to face a challenging macroeconomic environment in their respective industries and in the general economy. 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.

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.

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 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 violations 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.

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.

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 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 June 28, 2024, filing of the Form 10-K and the July 29, 2024, filing of the Form 10-Q, Nasdaq has determined that we have complied with the Listing Rule 5250(c)(1) Rule. Accordingly, this matter was closed.

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 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 was reduced from 50,000,000 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 10 consecutive business days, from September 30, 2024 to October 14, 2024, the closing bid price of our Common Stock had been at \$1.00 per share or greater. Accordingly, we regained compliance with the Bid Price Requirement and this matter was closed.

There can be no assurance that we will continue being able to comply with Nasdaq’s 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 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 April 11, 2025, the closing trade price of our Common Stock was \$1.48 per share. As of April 15, 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 \$1.55 per share and a high price of \$11.38 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.

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.

ITEM 1C. CYBERSECURITY.

We face risks associated with cybersecurity. For additional details on risks from cybersecurity threats, please refer to “Item 1A. Risk Factors - *The occurrence of security breaches and cyber-attacks could negatively impact our business.*” and “- *Privacy and data security concerns, laws, or other regulations could expose us to liability or impair our operations.*”

The purpose of our cybersecurity program is to assess, identify, manage and mitigate cybersecurity risk while supporting the achievement of our business objectives. Under our comprehensive risk management program, the Board of Directors of the Company maintains oversight of the most significant risks facing the Company, including cybersecurity risks, while senior management is responsible for the identification and prioritization of risks that are material to our business, corresponding risk-mitigation efforts and day-to-day management of our risk management program. The full Board of Directors retains oversight over management’s cybersecurity efforts. At least annually, and often more frequently, our Board of Directors receives cybersecurity briefings from senior executives, including, when appropriate, executives focused on cybersecurity matters.

Our companywide cybersecurity policy sets the framework for our approach to cybersecurity. Each business unit and our corporate headquarters designates individuals with appropriate qualifications and experience to be responsible for addressing cybersecurity matters, including assessing, identifying and managing risks from cybersecurity threats, with a direct reporting line to senior management. Under our approach to cybersecurity, each business unit designs and operates its own information and cybersecurity program tailored to its market, customer requirements, regulatory requirements and threats. Our cybersecurity policy and procedures are designed to ensure senior management receives timely and adequate information regarding cybersecurity matters, including threats and incident response, as appropriate to the matter. Our policies and procedures are also designed to oversee and identify material cybersecurity risks related to third-party vendors and service providers.

As part of our approach to cyber risk management, we regularly perform internal audits of internal processes and controls relating to cybersecurity. From time to time, as appropriate under our overall cybersecurity program, we engage third-party experts to support the assessment of cyber related risks, including to conduct cyber penetration testing.

To its knowledge, the Company has not experienced a material cybersecurity breach within the last three years, nor identified any risks from cybersecurity threats that have materially affected us, including our business strategy, results of operations or financial condition.

ITEM 2 PROPERTIES

The following table summarizes the location of real property we currently lease. We do not own any real property.

Item	Address
1	8/F. 29 Des Voeux Road Central, Central, Hong Kong
2	8/F. Sanshan Science and Technology Innovation Center, 12 Sanshan Port Road, Guicheng Street, Nanhai District, Foshan City, China

The property listed in Item 1 above is our principal executive office and is used by all of our business segments. The property listed in Item 2 is the office for our subsidiaries and operating VIEs in Guangzhou, Guangdong province, and is primarily used by all of our business segments.

We believe that our existing facilities and equipment are well maintained and in good operating condition and are sufficient to meet our needs for the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

See “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters ” for the aggregate information regarding our equity compensation plans in effect on December 31, 2024.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the fourth quarter of our fiscal year ended December 31, 2024, neither we nor any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Exchange Act) purchased any shares of our Common Stock, the only class of our equity securities registered pursuant to Section 12 of the Exchange Act.

Unregistered Sales of Equity Securities

Any previous sales of unregistered securities by the Company have been previously disclosed in our reports on Form 10-Q or Form 8-K, as applicable, filed with the SEC.

ITEM 6 [RESERVED]

ITEM 7 MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited consolidated financial statements and the related notes to the consolidated financial statements included elsewhere in this Form 10-K. Our audited consolidated financial statements have been prepared in accordance with U.S. GAAP. The following discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words “expect,” “anticipate,” “intend,” “believe,” or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information set forth under the heading “Risk Factors” and elsewhere in this Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements.

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.

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.

Overview

Our company was incorporated in the State of Texas in April 2006 and re-domiciled to become a Nevada corporation in October 2006. As a result of a share exchange transaction we consummated with China Net BVI in June 2009, we are now a holding company, which through certain contractual arrangements with operating companies in the PRC, is primarily engaged in providing Internet advertising, precision marketing, blockchain-based SaaS services and e-commerce online to offline (“O2O”) advertising and marketing and the related data and technical services to SMEs in the PRC.

Through our PRC operating subsidiaries and VIEs, we primarily operate a one-stop services for our clients on our Omni-channel advertising, precision marketing and data analysis management system. We offer a variety channels of advertising and marketing services through this system, which primarily include distribution of the right to use search engine marketing services we purchased from key search engines, influencer marketing services, provision of online advertising placements services on our web portals, provision of ecommerce O2O advertising and marketing services as well as provision of other related value-added data and technical services to maximize market exposure and effectiveness for our clients. From early 2022, we started to introduce our new SaaS services to customers. The SaaS services were designated in providing one-stop blockchain-powered enterprise management solutions via our BIF platform in forms of unique NFT generations, data record, share and storage modules subscriptions etc.

Basis of presentation, critical accounting policies and management estimates

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and include the accounts of our company, and all of our subsidiaries and VIEs. All transactions and balances between our company and our subsidiaries and VIEs have been eliminated upon consolidation. We prepare financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We considered the policies discussed below to be critical to an understanding of our financial statements.

REVENUES

The following tables set forth a breakdown of our total revenues, disaggregated by type of services for the periods indicated, with inter-company transactions eliminated:

Revenue type	Year Ended December 31,			
	2024		2023	
	(Amounts expressed in thousands of US dollars, except percentages)			
-Internet advertising and related data service	\$ 4,780	31.0%	\$ 450	1.5%
-Distribution of the right to use search engine marketing service	9,909	64.2%	30,060	98.3%
Internet advertising and related services	14,689	95.2%	30,510	99.8%
Blockchain-based SaaS services	750	4.8%	75	0.2%
Total	\$ 15,439	100%	\$ 30,585	100%

Total Revenues: Our total revenues decreased to approximately US\$15.44 million for the year ended December 31, 2024 from approximately US\$30.59 million for the year ended December 31, 2023, which was primarily due to the winding down of our distribution of the right to use search engine marketing service in the PRC but increases in higher margin internet advertising and related services such as influencer marketing.

We derive the majority of our revenues from distribution of the right to use the search engine marketing (“SEM”) services, sale of advertising space on our internet ad portals, and provision of the related data and technical services, all of which management considers as one aggregate business operation and relies upon the consolidated results of all operations in this business unit to make decisions about allocating resources and evaluating performance. Looking forward in 2025, we will be positioning our client focus outside of the PRC with an emphasis on higher margin internet advertising services and the blockchain and digital asset business. We will also be looking to acquire and build teams with businesses with AI capabilities and proprietary intellectual properties that enable more accurate marketing solutions and cost efficient content creation.

- Internet advertising revenues for the year ended December 31, 2024 was approximately US\$4.78 million, compared with approximately US\$0.45 million for the year ended December 31, 2023. The increase is primarily resulted from the Company’s shifting of its focus towards business segments that offer higher margins which includes influencer marketing.
- Revenue generated from distribution of the right to use search engine marketing service for the year ended December 31, 2024 was approximately US\$9.91 million, compared with approximately US\$30.06 million for the year ended December 31, 2023. The decrease was mainly due to the winding down of our distribution of the right to use search engine marketing service in the PRC, following sustained low to negative margins in this business segment for the past several years.
- For the year ended December 31, 2024, we generated an approximately US\$0.75 million revenues from our Blockchain-based SaaS Services, compared with approximately US\$0.08 million for the year ended December 31, 2023.

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of the Company's PRC legal counsel, as of the date hereof, the Company's current contractual arrangements with the VIEs and their respective shareholders are valid, binding and enforceable. However, there exist substantial uncertainties and risks regarding regulations and their potential effect on the Company's VIE structure and contractual arrangements.

On March 15, 2019, the National People's Congress of the PRC approved the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether the Company's contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, the Company may face substantial uncertainties as to whether it can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect the Company's current corporate structure, corporate governance and business operations.

In addition, these contractual arrangements may not be as effective in providing the Company with control over the VIEs as would direct ownership. Due to its VIE structure, the Company has to rely on contractual rights to effect control and management of the VIEs, which exposes it to the risk of potential breach of contract by the shareholders of the VIEs for a number of reasons. For example, their interests as shareholders of the VIEs and the interests of the Company may conflict, and the Company may fail to resolve such conflicts; the shareholders may believe that breaching the contracts will lead to greater economic benefit for them; or the shareholders may otherwise act in bad faith. If any of the foregoing were to happen, the Company may have to rely on legal or arbitral proceedings to enforce its contractual rights, including specific performance or injunctive relief, and claiming damages. Such arbitral and legal proceedings may cost substantial financial and other resources, and result in a disruption of its business, and the Company cannot assure that the outcome will be in its favor. In addition, as all of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through either arbitration or litigation in the PRC, they would be interpreted in accordance with PRC law 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 further limit the Company's ability to enforce these contractual arrangements. Furthermore, these contracts may not be enforceable in China if PRC government authorities or courts take a view that such contracts contravene PRC laws and regulations or are otherwise not enforceable for public policy reasons. In the event that the Company is unable to enforce any of these agreements, the Company would not be able to exert effective control over the affected VIEs and consequently, the results of operations, assets and liabilities of the affected VIEs and their subsidiaries would not be included in the Company's consolidated financial statements. If such were the case, the Company's cash flows, financial position and operating performance would be materially adversely affected.

As of the date hereof, to the best knowledge of the Company and its directors and management, the Company's VIE agreements have not been tested in a court of law in the PRC and may not be effective in providing control over the VIEs as would direct equity ownership.

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summarized below is the information related to the VIEs' assets and liabilities reported in the Company's consolidated balance sheets as of December 31, 2024 and 2023, respectively:

	As of December 31,	
	2024	2023
	US\$('000)	US\$('000)
Assets		
Current assets:		
Cash and cash equivalents	\$ 24	\$ 367
Accounts receivable, net	34	844
Prepayment and deposit to suppliers	1,189	2,005
Other current assets	2	2
Total current assets	1,249	3,218
Property and equipment, net	85	139
Deferred tax assets	-	401
Total Assets	\$ 1,334	\$ 3,758
Liabilities		
Current liabilities:		
Accounts payable	\$ 93	\$ 201
Advances from customers	489	843
Accrued payroll and other accruals	14	37
Taxes payable	2,521	2,555
Operating lease liabilities	-	-
Lease payment liabilities related to short-term leases	-	99
Other current liabilities	546	56
Total current liabilities	3,663	3,791
Operating lease liabilities-Non current	-	-
Total Liabilities	\$ 3,663	\$ 3,791

Liabilities recognized as a result of consolidating the VIEs do not represent additional claims on the Company's general assets.

Summarized below is the information related to the financial performance of the VIEs reported in the Company's consolidated statements of operations and comprehensive loss for the years ended December 31, 2024 and 2023, respectively:

	Year Ended December 31,	
	2024	2023
	US\$('000)	US\$('000)
Revenues	\$ 9,909	\$ 30,365
Cost of revenues	9,842	30,087
Total operating expenses	2,036	1,330
Net loss before allocation to noncontrolling interests	2,301	1,296

3. Liquidity and capital resource and going concern evaluation

For the years ended December 31, 2024 and 2023, the Company incurred a loss from operations of US\$3.76 million and US\$6.01 million, respectively. Net operating cash outflow for the years ended December 31, 2024 and 2023 was US\$2.06 million and US\$2.01 million, respectively. As of December 31, 2024, the Company had cash and cash equivalents of US\$0.81 million and working capital of US\$3.33 million.

The Company experienced decreased revenue but increased gross profit for the year ended December 31, 2024. The decreased in revenue was primarily attributable to the winding down of our distribution of the right to use search engine marketing service in the PRC but the improvement in gross profit is due to increased revenue in higher margin internet advertising and related services such as influencer marketing.

Our current core business is to provide advertising and marketing services to small and medium enterprises (“SMEs”), which is particularly sensitive to changes in general economic conditions. However, as we wind down our search engine marketing distribution service in the PRC, we are seeing an improvement in our gross margins as well as significantly reduced operating expenses that will improve our cash flow and liquidity in the next 12 months.

In order to improve operation performance, from early 2022, we started to introduce our new SaaS services to our customers. The SaaS services were designated to provide one-stop blockchain-powered enterprise management solutions via our Blockchain Integrated Framework (“BIF”) platform in forms of unique NFT generations, data record, share and storage modules subscriptions etc. We generated approximately US\$0.75 million of revenues from this new SaaS services in fiscal 2024. Although revenues from the new SaaS services business and its profitability have not met our expectations, it is expected to bring us positive cash flow and help to improve our liquidity, as these services are provided based on technologies of our self-developed software platform, which does not need any further material cash outflow to other third-party service providers.

In addition, for the next 12 months from the date hereof, we anticipate to generate additional cash inflows and/or improve our liquidity through the following: (1) our short-term working capital loans provided to unrelated parties will mature within the next 12 months that we anticipate collecting these loan principals and the related interest income within the next 12 months; (2) if at any time we anticipate insufficiency of our working capital, we can apply for revolving credit facility from commercial banks in the PRC to supplement our short-term liquidity deficit. We have not experienced any difficulties in obtaining such credit facility before, and this could result in fixed obligations and incremental cost of interest; (3) we plan to reduce our operating costs through optimizing the personnel structure among different offices and reduce our office leasing spaces, if needed. This may incur incremental costs related to employee layoff compensation and contract termination penalty.

If the Company fails to achieve these goals, the Company may need additional financing to execute its business plan. If additional financing is required, the Company cannot predict whether this additional financing will be in the form of equity, debt, or another form, and the Company may not be able to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all. In the event that financing sources are not available, or that the Company is unsuccessful in increasing its gross profit margin and reducing operating losses, the Company may be unable to implement its current plans for expansion, repay debt obligations or respond to competitive pressures, any of which would have a material adverse effect on the Company’s business, prospects, financial condition and results of operations. These factors raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are issued.

The consolidated financial statements as of December 31, 2024 have been prepared under the assumption that the Company will continue as a going concern, which contemplates, among other things, the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable period of time. The Company’s ability to continue as a going concern is dependent upon its uncertain ability to increase gross profit margin and reduce operating loss from its core business and/or obtain additional equity and/or debt financing. The accompanying financial statements as of December 31, 2024 do not include any adjustments that might result from the outcome of these uncertainties. If the Company is unable to continue as a going concern, it may have to liquidate its assets and may receive less than the value at which those assets are carried on the financial statements.

4. Summary of significant accounting policies

a) Basis of presentation

The consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

b) Principles of consolidation

The consolidated financial statements include the accounts of all the subsidiaries and VIEs of the Company. All transactions and balances between the Company and its subsidiaries and VIEs have been eliminated upon consolidation.

c) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of these consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company continually evaluates these estimates and assumptions based on the most recently available information, historical experience and various other assumptions that the Company believes to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

d) Foreign currency translation and transactions

The Company conducts substantially all of its operations through its PRC operating subsidiaries and VIEs, PRC is the primary economic environment in which the Company operates. For financial reporting purposes, the financial statements of the Company’s PRC operating subsidiaries and VIEs, which are prepared using the functional currency of the PRC, Renminbi (“RMB”), are translated into the Company’s reporting currency, the United States Dollar (“U.S. dollar”). Assets and liabilities are translated using the exchange rate at each balance sheet date. Revenue and expenses are translated using average rates prevailing during each reporting period, and stockholders’ equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive income in stockholders’ equity.

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. The resulting exchange differences are included in the determination of net loss of the consolidated statements of operations and comprehensive loss for the respective periods.

The exchange rates used to translate amounts in RMB into US\$ for the purposes of preparing the consolidated financial statements are as follows:

	As of December 31,	
	2024	2023
Balance sheet items, except for equity accounts	7.1884	7.0827
	Year Ended December 31,	
	2024	2023
Items in the statements of operations and comprehensive loss	7.1217	7.0467

No representation is made that the RMB amounts could have been or could be converted into US\$ at the above rates.

e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits. The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

The Company's cash is held in accounts at major financial institutions located in the U.S. and the PRC, which includes Hong Kong. As of December 31, 2024, US\$0.21 million of the Company's cash was held in accounts at financial institutions located in the U.S., and the remaining US\$0.60 million was held in the accounts at financial institutions located in the PRC. The Company believes that these financial institutions are of high credit quality, all of which have participated in the federal/national deposit insurance scheme of their respective jurisdiction. The Company's cash held in accounts at the financial institutions in the U.S. are insured by the Federal Deposit Insurance Corporation (FDIC) for up to US\$0.25 million per depositor per insured bank and the cash held in accounts at the financial institutions in the PRC are insured by the Deposit Insurance Capital Corporation (DICC), a wholly-owned subsidiary of the People's Bank of China, for up to RMB0.50 million per depositor per insured bank. The Company, its subsidiaries, VIEs and VIEs' subsidiaries have not experienced any losses in such accounts in the U.S. and the PRC and do not believe their cash is exposed to any significant risk.

The cash held in accounts at the financial institutions in the PRC is in Renminbi and the Hong Kong Dollar. Renminbi is not freely convertible into other currencies. The Chinese government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Renminbi is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and foreign debt. Currently, our PRC subsidiaries may purchase foreign currency for settlement of current account transactions, including payment of dividends to us, without the approval of the State Administration of Foreign Exchange of China (the "SAFE") by complying with certain procedural requirements. However, the relevant Chinese governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. The Chinese government may continue to strengthen its capital controls, and additional restrictions and substantial vetting processes may be instituted by the SAFE for cross-border transactions falling under both the current account and the capital account. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant Chinese governmental authorities. There is no restriction for the Company to transfer its cash held in accounts at the financial institutions located in the U.S. outside the border of the U.S.

The Company is a Nevada holding company with operations primarily conducted in China through its PRC subsidiaries, VIEs and VIEs' subsidiaries. The intercompany flow of funds within its organization is effected through capital contributions and intercompany loans, which requires prior approval by the delegated executive officers before execution.

The Company has transferred, and intends to continue to transfer, most of its cash raised from the U.S. stock market to its PRC operating entities to support their operations and expansions. The Company's ability to pay dividends to U.S. investors may depend on receiving dividends or other distributions from its PRC subsidiaries and settlement of the amounts owed under the VIE agreements from the consolidated VIEs. The Company does not have any present plan to demand the consolidated VIEs to settle their amounts owed under the VIE agreements, or make any distribution of earnings or issue any dividends directly or indirectly to the Nevada holding company. In addition, the Company also currently does not have any plan to pay any cash dividends on its common stock in the foreseeable future.

For the year ended December 31, 2024, we transferred US\$0.48 million in cash to our operating subsidiaries. For the year ended December 31, 2023, we did not transfer any cash to our operating subsidiaries; however, one of our subsidiaries paid US\$0.79 million operating expenses in cash on behalf of us to the service providers, as a repayment of the shareholder loans provided by us to this subsidiary in previous years.

For the year ended December 31, 2024, our consolidated VIEs transferred US\$0.02 million to our consolidated subsidiaries as repayment of loans. For the year ended December 31, 2023, our consolidated subsidiaries transferred US\$0.55 million cash to the consolidated VIEs in form of loans, respectively.

For the years ended December 31, 2024 and 2023, the Company's PRC subsidiaries, the VIEs, and VIE's subsidiaries did not transfer any cash outside of the PRC.

f) Accounts receivable, net

Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts as needed. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on aging data, historical collection experience, customer specific facts and economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company did not have any off-balance-sheet credit exposure relating to its customers, suppliers or others. For the year ended December 31, 2024, the Company recorded approximately US\$0.89 million of allowance for doubtful accounts against its accounts receivable. For the year ended December 31, 2023, the Company recorded approximately US\$0.25 million of allowance for doubtful accounts against its accounts receivable.

g) Long-term investments

The Company's investments in equity securities and other ownership interests (except those accounted for under the equity method of accounting or those that resulted in consolidation of the investee), i.e. investments in investee companies that are not consolidated, and over which the Company does not exercise significant influence, are accounted for in accordance with ASC Topic 321: "Investments-Equity securities". The Company generally owns less than 20% interest in the voting securities of these investee companies. In accordance with ASC 321-10-35-2, the Company chooses to measure these investments which do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the Company and records the carrying value of these investments as "Long-term investments" in the Company's consolidated balance sheets.

In accordance with ASC 321-10-35-3, the Company writes down the carrying value of these investments to its fair value if a qualitative assessment indicates that the investment is impaired, and the fair value of the investment is less than its carrying value, as determined using the guidance in ASC 321-10-35-2.

For the year ended December 31, 2024, the Company recorded approximately US\$0.002 million impairment loss associated with its long-term investments. For the year ended December 31, 2023, the Company recorded approximately US\$0.43 million impairment loss associated with its long-term investments.

h) Property and equipment, net

Property and equipment are recorded at cost less accumulated depreciation/amortization. Depreciation/amortization is calculated on the straight-line method after taking into account their respective estimated residual values over the following estimated useful lives:

**ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Leasehold improvements	3 years
Vehicles	5 years
Office equipment	3-5 years
Electronic devices	5 years

Depreciation/amortization expenses of fixed assets are included in sales and marketing expenses, general and administrative expenses and research and development expenses. Leasehold improvements are amortized over the lesser of the lease term or estimated useful life.

When property and equipment are retired or otherwise disposed of, resulting gain or loss is included in net income or loss in the period of disposition. Maintenance and repairs which do not improve or extend the expected useful lives of the assets are charged to expenses as incurred, whereas the cost of renewals and betterments that extend the useful life of the assets are capitalized as additions to the related assets.

i) Intangible assets, net

The Company accounted for cost related to internal-used software in accordance with ASC Topic 350-40 "Intangibles-Goodwill and Other-Internal-Use Software". Internal-use software is initially recorded at cost and amortized on a straight-line basis over the estimated useful economic life of 3 to 10 years.

j) Impairment of long-lived assets

In accordance with ASC 360-10-35, long-lived assets, which include tangible long-lived assets and intangible long-lived assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount of the asset and its fair value.

For the year ended December 31, 2024, the Company recorded no impairment loss associated with its intangible assets. For the year ended December 31, 2023, the Company recorded aggregate US\$1.23 million impairment loss associated with its intangible assets.

k) Fair value

The Company's financial instruments primarily consist of cash and cash equivalents, accounts receivable, short-term loans to unrelated parties and accounts payable. The carrying values of these financial instruments approximate fair values due to their short maturities.

ASC Topic 820 "Fair Value Measurement and Disclosures," defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy which requires classification based on observable and unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each quarter.

Liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as of December 31, 2024 and 2023 is as follows:

	Fair value measurement at reporting date using			
	As of December 31, 2024	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		US\$('000)	US\$('000)	US\$('000)
Warrant liabilities	-	-	-	-

	Fair value measurement at reporting date using			
	As of December 31, 2023	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		US\$('000)	US\$('000)	US\$('000)
Warrant liabilities	-	-	-	-

Significant unobservable inputs utilized to determine the fair value of the Company's warrant liabilities was disclosed in Note 16.

1) Reverse stock split

For the year ended December 31, 2024, the Board of Directors of the Company approved a reverse stock split of the Company's issued and outstanding shares of common stock, par value \$0.001 per share (the "Common Stock") at a ratio of 1-for-4 (the "Reverse Stock Split"). The Reverse Stock Split became effective on September 30, 2024 (the "Effective Date"). As a result, the number of shares of the Company's authorized Common Stock was reduced from 50,000,000 shares to 12,500,000 shares and the issued and outstanding number of shares of the Common Stock was correspondingly decreased. The Reverse Stock Split has no effect on the par value of the Company's Common Stock or authorized shares of preferred stock. When the Reverse Stock Split became effective, each four shares of issued and outstanding Common Stock were converted into one newly issued and outstanding share of Common Stock. No fractional shares were issued in connection with the Reverse Stock Split. Any fractional shares of Common Stock that would have otherwise resulted from the Reverse Stock Split were rounded up to the nearest full share. No cash or other consideration was paid in connection with any fractional shares that would otherwise have resulted from the Reverse Stock Split. As a result of the Reverse Stock Split, 8,704,506 shares of Common Stock that were issued and outstanding at September 30, 2024 was reduced to 2,301,205 shares of Common Stock (taking into account the rounding of fractional shares).

For the year ended December 31, 2023, the Board of Directors of the Company approved a reverse stock split of the Company's issued and outstanding shares of common stock, par value \$0.001 per share (the "Common Stock") at a ratio of 1-for-5 (the "Reverse Stock Split"). The Reverse Stock Split became effective on January 18, 2023 (the "Effective Date"). As a result, the number of shares of the Company's authorized Common Stock was reduced from 100,000,000 shares to 20,000,000 shares and the issued and outstanding number of shares of the Common Stock was correspondingly decreased. The Reverse Stock Split has no effect on the par value of the Company's Common Stock or authorized shares of preferred stock.

Except where otherwise specified, all number of shares, number of warrants, share prices, exercise prices and per share data in the consolidated financial statements and notes to the consolidated financial statements have been retroactively restated as if the Reverse Stock Split occurred at the beginning of the periods presented.

m) Revenue recognition

In accordance with ASC Topic 606, revenues are recognized when control of the promised goods or services is transferred to the Company’s customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. In determining when and how much revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; (5) recognize revenue when (or as) the entity satisfies a performance obligation.

Multiple performance obligations included in the Company’s contracts with customers are neither capable of being distinct, that is, can benefit the customer on its own or together with other readily available resources, nor is distinct within the context of the contract, that is, the promise to transfer the service separately identifiable from other promises in the contract.

The Company’s contract with customers do not include significant financing component and any variable consideration.

Advance from customers related to unsatisfied performance obligations are generally refundable. Refund of advance from customers was insignificant for both the years ended December 31, 2024 and 2023.

The Company does not believe that significant management judgements are involved in revenue recognition, but the amount and timing of the Company’s revenues could be different for any period if management made different judgments or utilized different estimates. Generally, the Company recognizes revenue under ASC Topic 606 for each type of its performance obligation either over time or at a point in time as follows:

Distribution of the right to use search engine marketing service

Revenue from distribution of the right to use search engine marketing service is recognized on a monthly basis based on the direct cost consumed through search engines for providing such services with a premium (“over time”). The Company recognizes the revenue on a gross basis, because the Company determines that it is a principal in the transaction who control the goods or services before they are transferred to the customers.

Internet advertising and related data service

For our internet advertising and related data service during the year ended December 31, 2024, we primarily provided influencer marketing services to our clients. Revenues related to our influencer marketing services are recognized based on when the marketing service is completed and accepted by our clients.

Blockchain-based SaaS services

The Company develops blockchain enabled web/mobile applications and provides Software-as-a-Service (“SaaS”) services for clients. Fixed periodical subscription fee revenues for the use of the Company’s Blockchain Integrated Framework (“BIF”) platform are recognized ratably on a monthly basis over the period of the subscription service (“over time”). Revenues related to the Non-fungible Token (“NFT”) generation service provided through the BIF platform are recognized based on a fixed price per NFT generation, when a NFT is generated, delivered and accepted by customers (“point in time”).

The following tables present the Company’s revenues disaggregated by products and services and timing of revenue recognition:

	Year Ended December 31,	
	2024	2023
	US\$(’000)	US\$(’000)
Internet advertising and related service		
--distribution of the right to use search engine marketing service	9,909	30,510
--Internet advertising and related data service	4,780	-
Blockchain-based SaaS services	750	75
Total revenues	\$ 15,439	\$ 30,585

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31,	
	2024	2023
	US\$('000)	US\$('000)
Revenue recognized over time	9,909	30,585
Revenue recognized at a point in time	5,530	-
Total revenues	\$ 15,439	\$ 30,585

Contract costs

For the years ended December 31, 2024 and 2023, the Company did not have any significant incremental costs of obtaining contracts with customers incurred and/or costs incurred in fulfilling contracts with customers, that shall be recognized as an asset and amortized to expenses in a pattern that matches the timing of the revenue recognition of the related contract.

Contract balances

The Company evaluates overall economic conditions, its working capital status and customer specific credit and negotiates the payment terms of a contract with individual customer on a case-by-case basis in its normal course of business.

Advances received from customers related to unsatisfied performance obligations are recoded as contract liabilities (advance from customers), which will be realized as revenues upon the satisfaction of performance obligations through the transfer of related promised goods and services to customers.

For contracts without a full or any advance payments required, the Company bills the customers any unpaid contract price immediately upon satisfaction of the related performance obligations when revenue is recognized.

The Company does not have any contract assets (unbilled receivables) since revenue is recognized when control of the promised goods or services is transferred and the payment from customers is not contingent on a future event.

The Company's contract liabilities primarily consist of advance from customers related to unsatisfied performance obligations in relation to online advertising placement service and distribution of the right to use search engine marketing service. All contract liabilities are expected to be recognized as revenue within one year. The table below summarized the movement of the Company's contract liabilities for the two years ended December 31, 2024:

	Contract liabilities
	US\$('000)
Balance as of January 1, 2023	739
Exchange translation adjustment	(10)
Revenue recognized from beginning contract liability balance	(670)
Advances received from customers related to unsatisfied performance obligations	784
Balance as of December 31, 2023	843
Exchange translation adjustment	(13)
Revenue recognized from beginning contract liability balance	(527)
Advances received from customers related to unsatisfied performance obligations	186
Balance as of December 31, 2024	489

For the years ended December 31, 2024 and 2023, there is no revenue recognized from performance obligations that were satisfied in prior periods.

Transaction price allocated to remaining performance obligation

The Company has elected to apply the practical expedient in paragraph ASC Topic 606-10-50-14 and did not disclose the information related to transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied as of December 31, 2024 and 2023, because all performance obligations of the Company's contracts with customers have an original expected duration of one year or less.

n) Cost of revenues

Cost of revenues primarily includes the cost of Internet and other forms of advertising resources and related technical services purchased from third parties, amortization of software platform development cost and other direct cost associated with providing services.

o) Research and development expenses

The Company accounts for expenses for the enhancement, maintenance and technical support to the Company's Internet platforms and intellectual properties that are used in its daily operations in research and development expenses. Research and development costs are charged to expense when incurred. Expenses for research and development for the years ended December 31, 2024 and 2023 were approximately nil and US\$0.02 million, respectively.

p) Lease

The Company leases office spaces from unrelated parties in its normal course of business. Other than these office spaces lease contracts, the Company does not have any other contract that is or contains a lease under ASC Topic 842.

The Company's lease contracts do not contain any option for the Company to extend or terminate the lease, and do not contain the option for the Company to purchase the underlying assets. Based on the noncancelable lease period in the contract, the Company considers contract-based, asset-based, market-based and entity-based factors to determine the term over which it is reasonably certain to extend the lease, and then determine the lease term of each contract, which is 1-8 years. The Company's lease contracts only contain fixed lease payments and do not contain any residual value guarantee.

The Company's office lease contracts do not contain any nonlease component and are classified as operating leases in accordance with ASC Topic 842-10-25-3.

For lease contracts with a duration of twelve months or less and thus met the definition of a short-term lease under ASC 842, the Company, in accordance with ASC 842-20-25-2, elected not to apply the recognition requirements (i.e. not to recognize right-of-use asset and related lease liability) to these short-term leases. Instead, the Company recognized the lease payments of these short-term leases in its consolidated statements of operations and comprehensive loss on a straight-line basis over the lease term. As of December 31, 2024 and 2023, lease payments liability related to these short-term leases was approximately nil and US\$0.10 million, respectively.

For lease contracts with a duration of over twelve months, as the implicit rates of the Company leases cannot be readily determined, in accordance with ASC Topic 842-20-30-3, the Company used its incremental borrowing rate as the discount rate to determine the present value of the lease payments for each lease contract. The Company's incremental borrowing rate was determined based on the interest rate expected to be used by the commercial banks in the PRC for long-term loans with the same maturity terms as the respective lease contracts at lease inception, if lent to the Company on a collateralized basis.

As of December 31, 2024 and 2023, operating lease right-of-use assets and total operating lease liabilities recognized was approximately nil and US\$0.02 million, respectively.

Maturity of operating lease liabilities

As of December 31, 2024, we did not recognize any operating lease right-of-use assets and operating lease liabilities.

As of December 31, 2023, operating lease right-of-use assets and total operating lease liabilities recognized was approximately US\$0.02 million and US\$0.02 million, respectively.

Operating lease expenses:

	Year Ended December 31,	
	2024	2023
	US\$('000)	US\$('000)
Long-term operating lease contracts	22	326
Short-term operating lease contracts	34	31
Total	56	357

Supplemental information related to operating leases:

	Year Ended December 31,	
	2024	2023
Operating cash flows used for operating leases (US\$'000)	25	498
Right-of-use assets obtained in exchange for new lease liabilities (US\$'000)	-	-
Weighted-average remaining lease term (years)	-	0.08
Weighted-average discount rate	6%	6%

q) Income taxes

The Company follows the guidance of ASC Topic 740 "Income taxes" and uses liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets, if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in statement of operations and comprehensive loss in the period that includes the enactment date.

r) Uncertain tax positions

The Company follows the guidance of ASC Topic 740 "Income taxes", which prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As a result, the impact of an uncertain income tax position is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

The Company recognizes interest on non-payment of income taxes under requirement by tax law and penalties associated with tax positions when a tax position does not meet the minimum statutory threshold to avoid payment of penalties. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The tax returns of the Company and its subsidiaries and VIEs are subject to examination by the relevant local tax authorities. The statute of limitations related to these tax returns under different circumstances various from 3-10 years, and for PRC entities, there is no statute of limitation in the case of tax evasion. The Company did not have any material interest or penalties associated with tax positions for the years ended December 31, 2024 and 2023 and did not have any significant unrecognized uncertain tax positions as of December 31, 2024 or 2023.

s) Share-based payment transactions

The Company adopts ASC Topic 718 "Compensation-Stock Compensation" to account for share-based payment transactions with both employees and nonemployees, which requires that share-based payment transactions be measured based on the grant-date fair value of the instrument issued, net of an estimated forfeiture rate, if applicable, and therefore only recognizes compensation expenses for those instruments expected to vest over the requisite service period, or vesting period. Forfeitures are estimated at the time of grant and revised in the subsequent periods if actual forfeitures differ from those estimates.

For fully vested, nonforfeitable equity instruments granted to a nonemployee service provider at the date upon entering into the agreement (no specific performance is required by the nonemployee to retain those equity instruments), because of the elimination of any obligation on the part of the nonemployee to earn the equity instruments, the Company recognizes the instruments when they are granted (in most cases, when the agreement is entered into), the corresponding cost is recorded as a prepayment on the balance sheet, and amortized as share-based compensation expenses over the requisite service period.

t) Comprehensive income (loss)

The Company accounts for comprehensive income (loss) in accordance with ASC Topic 220 “Comprehensive Income”, which establishes standards for reporting and displaying comprehensive income (loss) and its components in the consolidated financial statements. Comprehensive income (loss) is defined as the change in equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investments from owners and distributions to owners. Accumulated other comprehensive income, as presented in the Company’s consolidated balance sheets are the cumulative foreign currency translation adjustments.

u) Earnings (loss) per share

Earnings (loss) per share are calculated in accordance with ASC Topic 260, “Earnings Per Share”. Basic earnings (loss) per share is computed by dividing income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Common shares issuable upon the conversion of the convertible preferred shares are included in the computation of diluted earnings per share on an “if-converted” basis when the impact is dilutive. The dilutive effect of outstanding common stock warrants and options are reflected in the diluted earnings per share by application of the treasury stock method when the impact is dilutive.

v) Commitments and contingencies

The Company adopts ASC Topic 450 “Contingencies” subtopic 20, in determining its accruals and disclosures with respect to loss contingencies. Accordingly, estimated losses from loss contingencies are accrued by a charge to income when information available before financial statements are issued or are available to be issued indicates that it is probable that an asset had been impaired, or a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the financial statements when it is at least reasonably possible that a material loss could be incurred.

w) Current expected credit losses

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”. The amendments in this ASU require the measurement and recognition of expected credit losses for financial assets held at amortized cost, which replace the existing incurred loss impairment model with an expected loss methodology. The Company, as a SEC smaller reporting company, has adopted the amendments in this ASU from January 1, 2023, using a modified retrospective transition method and did not restate the related accounts in the comparable period. Instead, the Company recognized a cumulative-effect adjustment to increase the opening balance of its accumulated deficit on January 1, 2023 by US\$0.19 million, of which US\$0.04 million was related to the cumulative-effect adjustment to allowance for credit loss of accounts receivable, and the remaining US\$0.15 million was related to the cumulative-effect adjustment to allowance for credit loss of other current assets, which primarily consisted of short-term loans the Company provided to unrelated parties.

The allowance for credit losses reflects the Company's current estimate of credit losses expected to be incurred over the life of the related financial assets. The allowance for credit losses is presented as a valuation account that is deducted from the amortized cost basis of financial asset(s) to present the net amount expected to be collected on the financial asset(s).

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company considers various factors in establishing, monitoring, and adjusting its allowance for credit losses, including the aging and aging trends, customer/other parties' creditworthiness and specific exposures related to particular customers/other parties. The Company also monitors other risk factors and forward-looking information, such as country specific risks and economic factors that may affect a customer/other party's ability to pay in establishing and adjusting its allowance for credit losses. The Company assesses collectability by reviewing the financial assets on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers/other parties with known disputes or collectability issues. Accounts receivable and short-term loans to unrelated parties are written off after all collection efforts have ceased.

The following tables summarized the movements of the Company's credit losses as of December 31, 2024 and 2023, respectively:

	Year Ended December 31,	
	2024	2023
	US\$('000) (Unaudited)	US\$('000) (Unaudited)
<i>Credit loss for accounts receivable:</i>		
Balance as of beginning of the period	3,987	3,760
Cumulative-effect adjustment upon adoption of ASU No. 2016-13, Financial Instruments-Credit losses (Topic 326)	-	36
Provision for/(reverse of) credit loss during the period	892	246
Exchange translation adjustments	(62)	(55)
Balance as of end of the period	<u>4,817</u>	<u>3,987</u>

	Year Ended December 31,	
	2024	2023
	US\$('000) (Unaudited)	US\$('000) (Unaudited)
<i>Credit loss for other current assets:</i>		
Balance as of beginning of the period	1,559	617
Cumulative-effect adjustment upon adoption of ASU No. 2016-13, Financial Instruments-Credit losses (Topic 326)	-	155
Provision for/(reverse of) for credit loss during the period	(46)	787
Written off during the period	-	-
Exchange translation adjustments	-	-
Balance as of end of the period	<u>1,513</u>	<u>1,559</u>

5. Accounts receivable, net

	As of December 31,	
	2024	2023
	US\$('000)	US\$('000)
Accounts receivable	6,431	4,831
Allowance for doubtful accounts	(4,817)	(3,987)
Accounts receivable, net	<u>1,614</u>	<u>844</u>

All of the accounts receivable are non-interest bearing. Based on the assessment of the collectability of the accounts receivable as of December 31, 2024 and 2023, the Company provided approximately US\$4.82 million and US\$3.99 million allowance for doubtful accounts, respectively, which were primarily related to the accounts receivable of the Company's Internet advertising and related services business segment with an aging over six months. The Company evaluates its accounts receivable with an aging over six months and determines the allowance based on aging data, historical collection experience, customer specific facts and economic conditions. During the years ended December 31, 2024 and 2023, approximately US\$0.89 million and US\$0.25 million allowance for doubtful accounts was provided, respectively.

6. Prepayments and deposit to suppliers

	As of December 31,	
	2024	2023
	US\$(‘000)	US\$(‘000)
Deposits to advertising resources providers	612	911
Prepayments to advertising resources providers	2,996	3,136
Deposit for investing activities	152	-
Other deposits and prepayments	748	458
	4,508	4,505

As of December 31, 2024 and 2023, contractual deposits were primarily paid to the Company’s major Internet advertising resources suppliers and other advertising resource suppliers. The contractual deposits will be refunded to the Company upon expiration of the contracts, which are generally for a one-year period.

According to the contracts signed between the Company and its suppliers, the Company is required to pay certain of the contract amounts in advance. These prepayments will be recognized as cost of revenues when the related services are delivered by the suppliers. As of December 31, 2024 and 2023, prepayments were primarily paid for purchasing Internet resources from the Company’s major Internet advertising resources suppliers.

Deposits for investing activities as of December 31, 2024 represented deposits made to acquire businesses to help further develop and broaden our online marketing channels and reinforce our industry competitive advantage.

Other deposits and prepayments as of December 31, 2024 and 2023 represented deposits and prepayments to the Company’s other services providers, which primarily included deposits for office lease contracts, prepayment for various kinds of professional services, etc.

7. Other current assets, net

	December 31, 2024	December 31, 2023
	US\$(‘000)	US\$(‘000)
	Short-term loans to unrelated parties	3,606
Short-term loans interest receivables	138	250
Staff advances for business operations	8	5
Total other current assets	3,752	4,352
Allowance for doubtful accounts	(1,513)	(1,558)
Other current assets, net	2,239	2,794

As of December 31, 2024, the Company provided unsecured, interest-bearing short-term loans to two unrelated parties, which were set forth as below. These short-term loans were recorded as other current assets.

On January 5, 2022, the Company provided a short-term working capital loan of US\$2.5 million to an unrelated party, which matured on May 5, 2022. The loan was unsecured and borne a fixed annualized interest rate of 7.5%. In April 2022, as agreed by both parties, the unrelated party repaid a portion of the loan principal of US\$1.02 million, together with a loan interest of US\$0.06 million for the period from January 5, 2022 through April 30, 2022, based on the loan principal of US\$2.5 million. The Company extended the term of the remaining loan principal of US\$1.48 million to April 30, 2023 with a revised fixed annualized interest rate of 5%. In October 2022 and February 2023, the Company received loan interests of US\$0.05 million in the aggregate for the period from May 1, 2022 through December 31, 2022. On April 30, 2023, the Company further extended the term of this loan to October 31, 2023. In May 2023, the Company received a loan interest of US\$0.02 million for the period from January 1, 2023 through April 30, 2023. In July 2023, the Company received a loan interest of US\$0.02 million for the period from May 1, 2023 through July 31, 2023. On October 31, 2023, the Company agreed to further extend the term of this loan to September 30, 2024. On May 29, 2024, the Company received payment of approximately US\$0.13 million, of which approximately US\$0.06 million settled outstanding interest and approximately US\$0.07 million settled the loan principal. On September 30, 2024, the Company agreed to further extend the term of this loan to March 31, 2025. On March 17, 2025, the Company received payment of approximately US\$0.35 million, of which approximately US\$0.06 million settled outstanding interest and approximately US\$0.29 million settled the loan principal.

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On January 11, 2023, the Company provided a short-term loan of US\$2.0 million to another unrelated party. The loan is unsecured and bears a fixed annualized interest rate of 12%. The original maturity date of this loan was July 17, 2023. On July 1, 2023, the Company extended the term of this loan for a six-month period to January 18, 2024. Subsequently, on January 8, 2024, the Company further agreed to extend the term of the loan to January 18, 2025. And on January 9, 2025, the Company agreed to extend the loan to January 18, 2026. For the year ended December 31, 2024, the Company received payment of US\$0.77 million, of which approximately US\$0.35 million settled outstanding interest and approximately US\$0.42 million settled the loan principal. On January 27, 2025, the Company received payment of approximately US\$0.57 million, of which approximately US\$0.11 million settled outstanding interest and US\$0.46 million settled the loan principal.

The Company evaluates its short-term loans provided to unrelated parties for expected credit losses on a regular basis, and maintains an estimated allowance for credit losses to reduce its short-term loans to the amount that it believes will be collected. The Company evaluates its short-term loans on an individual basis and determines the allowance for credit loss based on creditworthiness of the borrowers, aging information, past transaction history with the borrowers and their current condition, as well as the current economic conditions and reasonable and supportable forecasts of future economic conditions. For the year ended December 31, 2024 and 2023, the Company reversed US\$0.05 million and provided US\$0.79 million credit losses on short-term loans provided to unrelated parties, respectively.

As of December 31, 2024, other current assets also included a US\$0.62 million remaining outstanding balance of a short-term loan that the Company provided to an unrelated party, Digital Sun Ventures Limited, a Hong Kong-based company (“Digital Sun”). In March 2021, the Company and Digital Sun reached an oral agreement, pursuant to which the Company provided a short-term loan of US\$1.65 million to Digital Sun. The loan has a one-year term. The loan is unsecured, interest free and is required to be repaid in lump sum at maturity by March 2022. The Company provided this unsecured and interest free loan to Digital Sun in consideration of the promises and claims made by Digital Sun’s management that Digital Sun has close connections with international well-known media companies seeking for strategic cooperation partners in China, and Digital Sun will facilitate building strategic business partnerships among the Company and these media companies. As of March 31, 2022, Digital Sun had repaid US\$1.03 million of this loan and defaults on the loan balance of US\$0.62 million. The Company attempted to collect the outstanding loan balance. In June 2022, the Company fully allowedance the outstanding loan balance of US\$0.62 million based on the Company’s assessment of the collectability of this outstanding balance. The Company had engaged a law firm and prepared and sent a legal letter to Digital Sun in March 2023, and the Company intends to take further actions to safeguard its rights against the default, including but not limited to, arranging meetings with the management of Digital Sun to negotiate the repayment plan in person and filing a lawsuit against Digital Sun after all other means of collection have been exhausted. As of the date hereof, the Company has not received any formal responses from Digital Sun.

8. Long-term investment

	Amount
	US\$(‘000)
Balance as of January 1, 2023	1,596
Exchange translation adjustment	(7)
Cash investments during the year	64
Disposed during the year	(426)
Impairment losses provided during the year	(433)
Balance as of December 31, 2023	794
Cash investments during the year	2
Disposed during the year	(397)
Impairment losses provided during the year	(2)
Balance as of December 31, 2024	397

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2024, except for long-term investments which were fully impaired, the Company beneficially owned a 7.69%, 9.9% and 9.9% equity interest in each New Business Holdings Limited (“New Business”), Hunan Yong Fu Xiang Health Management Co., Ltd (“Yong Fu Xiang”) and Wuhan Ju Liang Media Co., Ltd. (“Wuhan Ju Liang”), respectively.

On May 27, 2024, the Company sold approximately 7.69% equity interest in New Business to an unrelated party at a total consideration of approximately US\$0.40 million.

The Company measures each investment which does not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the Company.

For the year ended December 31, 2024, the Company provided \$0.002 million in impairment loss against its long-term investments.

9. Property and equipment, net

	As of December 31,	
	2024	2023
	US\$('000)	US\$('000)
Vehicles	442	520
Office equipment	834	846
Electronic devices	562	571
Leasehold improvement	-	182
Property and equipment, cost	1,838	2,119
Less: accumulated depreciation	(1,722)	(1,904)
Property and equipment, net	116	215

Depreciation expenses in the aggregate for the years ended December 31, 2024 and 2023 were approximately US\$0.10 million and US\$0.09 million, respectively.

10. Intangible assets, net

Items	As of December 31, 2024			
	Gross Carrying Value	Accumulated Amortization	Impairment	Net Carrying Value
	US\$('000)	US\$('000)	US\$('000)	US\$('000)
Intangible assets subject to amortization:				
<i>--10 years life:</i>				
Cloud compute software technology	1,291	(895)	(396)	-
Licensed products use right	1,204	(496)	(708)	-
<i>--5 years life:</i>				
Internet Ad tracking system	1,160	(637)	(523)	-
Live streaming technology	1,500	(625)	(875)	-
<i>--3 years life:</i>				
Blockchain Integrated Framework	4,038	(3,028)	(1,010)	-
Bo!News application	334	(111)	(223)	-
Other computer software	109	(109)	-	-
Total	\$ 9,636	\$ (5,901)	\$ (3,735)	\$ -

**ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Items	As of December 31, 2023			
	Gross Carrying Value	Accumulated Amortization	Impairment	Net Carrying Value
	US\$('000)	US\$('000)	US\$('000)	US\$('000)
Intangible assets subject to amortization:				
<i>--10 years life:</i>				
Cloud compute software technology	1,311	(909)	(402)	-
Licensed products use right	1,204	(496)	(708)	-
<i>--5 years life:</i>				
Internet Ad tracking system	1,160	(637)	(523)	-
Live streaming technology	1,500	(625)	(875)	-
<i>--3 years life:</i>				
Blockchain Integrated Framework	4,038	(2,187)	(1,010)	841
Bo!News application	339	(113)	(226)	-
Other computer software	111	(111)	-	-
Total	\$ 9,663	\$ (5,078)	\$ (3,744)	\$ 841

Amortization expenses in the aggregate for the years ended December 31, 2024 and 2023 were approximately US\$0.84 million and US\$1.19 million, respectively.

Intangible assets of the Company are tested for impairment when events or circumstances occur that could indicate that the carrying amount of an asset may not be recoverable. For the year ended December 31, 2024, the Company recorded no impairment loss associated with its intangible assets, due to insufficient estimated future cash flows expected to be generated by these assets. For the year ended December 31, 2023, the Company recorded approximately US\$1.23 million impairment loss associated with its intangible assets, due to insufficient estimated future cash flows expected to be generated by these assets.

Based on the adjusted carrying value of the finite-lived intangible assets after the deduction of the impairment losses, we do not expect any future amortization expense for the year ending December 31, 2025.

11. Accrued payroll and other accruals

	As of December 31,	
	2024	2023
	US\$('000)	US\$('000)
Accrued payroll and staff welfare	71	67
Accrued operating expenses	486	283
	557	350

12. Taxation

1) *Income tax*

The entities within the Company file separate tax returns in the respective tax jurisdictions in which they operate.

i). a. The Company is incorporated in the state of Nevada. Under the current law of Nevada, the Company is not subject to state corporate income tax. Following the Share Exchange, the Company became a holding company and does not conduct any substantial operations of its own. Before enactment of the Tax Cuts and Jobs Act (“TCJA” or the “Act”) in December 2017, the Company did not provide for U.S. taxes or foreign withholding taxes on undistributed earnings from its non-U.S. subsidiaries because such earnings are intended to be reinvested indefinitely. On December 22, 2017, the U.S. enacted the Act (which is commonly referred to as “U.S. tax reform”). The Act significantly changes U.S. corporate income tax laws including but not limited to reducing the U.S. corporate income tax rate from 35% to 21% beginning in 2018, imposing a one-time mandatory tax on previously deferred foreign earnings and imposing a new tax on global intangible low-taxed income (“GILTI”) effective for tax years of non-U.S. corporations beginning after December 31, 2017.

i). b. Effective from January 1, 2018, the Company is subject to the new GILTI tax rules. 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. Under U.S. GAAP, the Company has made an accounting policy choice of treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current period expense when incurred (the “period cost method”), instead of factoring such amounts into the Company’s measurement of its deferred taxes (the “deferred method”). For the years ended December 31, 2024 and 2023, no provision for federal corporate income tax has been made in the financial statements as the Company has no aggregated positive tested income.

ii). Under the current law of the BVI, the Company’s subsidiaries being incorporate in the BVI are not subject to tax on income or capital gains. Additionally, upon payments of dividends by these BVI companies to its respective shareholders, no BVI withholding tax will be imposed.

iii). The Company’s subsidiaries being incorporated in Hong Kong are governed by the Hong Kong Inland Revenue Ordinance (the “HK tax laws”). Effective from April 1, 2018, a two-tier corporate income tax system was officially implemented in Hong Kong. The applicable income tax rate is 8.25% for the first HK\$2.0 million profits, and the subsequent profits are taxed at 16.5%. Additionally, upon payments of dividends by these Hong Kong subsidiaries to its shareholders, no Hong Kong withholding tax will be imposed.

iv). The Company’s operating subsidiaries and VIEs, being incorporated in the PRC, are governed by the income tax law of the PRC and is subject to PRC enterprise income tax (“EIT”). The EIT rate of PRC is 25%, which applies to both domestic and foreign invested enterprises.

- The applicable EIT rate for all the Company’s PRC operating entities is 25% for both the years ended December 31, 2024 and 2023.
- Business Opportunity Online’s qualification as a High and New Technology Enterprise expired in November 2021, as a result, the applicable EIT rates of Business Opportunity Online had changed from 15% to 25% since the year ended December 31, 2021, and its net operating losses (NOLs) carryforward period changed to 5 years from 10 years for a High and New Technology Enterprise. The effect on deferred taxes of such changes was recognized in the statement of operations and comprehensive loss for the year ended December 31, 2021.
- Under the current PRC EIT law and related regulations, dividends, interests, rent or royalties payable by a foreign-invested enterprise to its immediate holding company outside China are subject to a 10% withholding tax. 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, subject to certain conditions and requirements.

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2) *Turnover taxes and the relevant surcharges*

Service revenues generated by the Company's PRC operating subsidiaries and VIEs are subject to Value Added Tax ("VAT"). VAT rate for provision of modern services (other than lease of corporeal movables) is 6%, and for small scale taxpayer, 3%. Therefore, for the years ended December 31, 2024 and 2023, the Company's service revenues generated in the PRC are subject to VAT at a rate of 6%, after deducting the VAT paid for the resources and services purchased from suppliers, or at a rate of 3% without any deduction of VAT paid for the resources and services purchased from suppliers. The surcharges of the VAT in the aggregate is 12% of the VAT.

As of December 31, 2024, and 2023, taxes payable consists of:

	As of December 31,	
	2024	2023
	US\$('000)	US\$('000)
Turnover tax and surcharge payable	1,247	1,264
Enterprise income tax payable	1,905	1,930
Taxes payable	3,152	3,194

A reconciliation of the income tax benefit determined at the U.S. federal corporate income tax rate to the Company's effective income tax benefit/(expense) is as follows:

	Year Ended December 31,	
	2024	2023
	US\$('000)	US\$('000)
Pre-tax loss	(3,370)	(5,976)
U.S. federal rate	21%	21%
Income tax benefit computed at U.S. federal rate	708	1,255
Reconciling items:		
Rate differential for foreign earnings	110	(55)
Tax effect on non-taxable change in fair value of warrant liabilities	-	39
(Provision for) / reversal of valuation allowance on deferred tax assets	(888)	353
Expired tax attribute carryforwards	(323)	(1,583)
Tax effect on other (non-deductible expenses)/non-taxable income	(6)	(7)
Effective income tax benefit/(expense)	(399)	2

For the years ended December 31, 2024 and 2023, the Company's income tax (benefit)/expense consisted of:

	Year Ended December 31,	
	2024	2023
	US\$('000)	US\$('000)
Current	-	-
Deferred	(399)	2
Income tax benefit/(expense)	(399)	2

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's deferred tax assets at December 31, 2024 and 2023 were as follows:

	As of December 31,	
	2024	2023
	US\$('000)	US\$('000)
Tax effect of net operating losses carried forward	11,035	10,745
Operating lease cost	-	1
Impairment on long-term investments	104	161
Impairment on intangible assets	570	571
Bad debts provision	1,427	1,226
Valuation allowance	(13,136)	(12,303)
Deferred tax assets, net	-	401

The U.S. holding company has incurred aggregate net operating losses (NOLs) of approximately US\$34.18 million and US\$32.70 million at December 31, 2024 and 2023, respectively. The NOLs carryforwards as of December 31, 2017 gradually expire over time, the last of which expires in 2037. NOLs incurred after December 31, 2017 will no longer be available to carry back but can be carried forward indefinitely. Furthermore, the Act imposes an annual limit of 80% on the amount of taxable income that can be offset by NOLs arising in tax years ending after December 31, 2017. The Company maintains a full valuation allowance against its net U.S. deferred tax assets, since due to uncertainties surrounding future utilization, the Company estimates there will not be sufficient future earnings to utilize its U.S. deferred tax assets.

The NOLs carried forward incurred by the Company's PRC subsidiaries and VIEs were approximately US\$10.87 million and US\$10.60 million at December 31, 2024 and 2023, respectively. The losses carryforwards gradually expire over time, the last of which expires in 2027. The related deferred tax assets were calculated based on the respective net operating losses incurred by each of the PRC subsidiaries and VIEs and the respective corresponding enacted tax rate that will be in effect in the period in which the losses are expected to be utilized.

The Company recorded approximately US\$13.14 million and US\$12.3 million valuation allowance as of December 31, 2024 and 2023, respectively, because it is considered more likely than not that a portion of the deferred tax assets will not be realized through sufficient future earnings of the entities to which the operating losses related.

For the years ended December 31, 2024 and 2023, total net deferred tax assets valuation allowance provided was approximately US\$0.89 million and total deferred tax assets valuation allowance provided was approximately US\$0.35 million, respectively.

13. Advance from investors

During the year ended December 31, 2024, we received advances from investors of approximately US\$1.08 million. On August 23, September 5, September 6, September 25, 2024, we entered into a securities purchase agreement with each of four investors (including one member of our Board of Directors), respectively, pursuant to which each purchaser agreed to purchase 89,606 shares of common stock for an aggregate purchase price of US\$268,818. On the date that each securities purchase agreement was signed, each purchaser entered into a lock-up agreement with the Company, respectively, whereby each purchaser agreed not to transfer the shares until the six-month anniversary of the date of each securities purchase agreement.

The number of shares have been restated in this note to reflect the effect of the 1-for-4 reverse stock split on September 30, 2024, see Note 4(l).

14. Other current liabilities

As of December 31, 2024, other current liabilities were approximately US\$0.48 million, of which approximately US\$0.12 million was interest free loans received from a related party, our Chief Executive Officer.

15. Long-term borrowing from a related party

Long-term borrowing from a related party is a non-interest bearing loan from a related party of the Company relating to the original paid-in capital contribution in the Company's wholly-owned subsidiary Rise King WFOE, which is not expected to be repaid within one year.

16. The Financing and warrant liabilities

The Company consummated registered direct offerings and issued the Company’s common stock and common stock purchase warrants to certain institutional investors, and common stock purchase warrants to its placement agent, in February 2021 (the “2021 Financing”) and December 2020 (the “2020 Financing”). Warrants issued to the investors and placement agent in the 2020 Financing were referred to as the “2020 Investors Warrants” and the “2020 Placement Agent Warrants”, respectively. The warrants issued in the 2021 Financing and the 2020 (Collectively, the “Financings”) were referred to collectively as the “Warrants”. As of December 31, 2024, the warrants issued in the 2021 and 2020 Financing have expired.

The respective initial exercise price of the Warrants is subject to anti-dilution provisions that require adjustment of the number of shares of common stock that may be acquired upon exercise of the warrant, or to the exercise price of such shares, or both, to reflect stock dividends and splits, subsequent rights offerings, pro-rata distributions, and certain fundamental transactions. The Warrants also contain “full ratchet” price protection in the event of subsequent issuances below the applicable exercise price (the “Down round feature”).

The Warrants may not be exercised if it would result in the holder beneficially owning more than 4.99% of the Company’s outstanding common shares (the “Beneficial Ownership Limitation”). The holder of the warrants, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation, provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the Company’s outstanding common shares. Any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company.

Accounting for securities issued in the Financings

The Company determined that the Company’s common stock issued in the Financings should be classified as permanent equity as there was no redemption provision at the option of the holders that is not within the control of the Company on or after an agreed upon date.

The Company analyzed the Warrants issued in the Financings in accordance with ASC Topic 815 “Derivatives and Hedging”. In accordance with ASC Topic 815, the Company determined that the Warrants should not be considered index to its own stock, as the strike price of the Warrants is dominated in a currency (U.S. dollar) other than the functional currency of the Company (Renminbi or Yuan). As a result, the Warrants do not meet the scope exception of ASC Topic 815, therefore, should be accounted for as derivative liabilities and measure at fair value with changes in fair value be recorded in earnings in each reporting period.

For the year ended December 31, 2024, the Company did not recognize any change in fair value of warrant liabilities. For year ended December 31, 2023, the Company recorded a gain of approximately US\$0.19 million from change in fair value of warrant liabilities.

Warrants issued and outstanding on December 31, 2024 and their movements during the two years then ended are as follows:

	Warrant Outstanding*			Warrant Exercisable*		
	Number of underlying shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of underlying shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
Balance, January 1, 2023	250,088	1.36	\$ 60.44	250,088	1.36	\$ 60.44
Issued/Vested	-			-		
Exercised	-			-		
Expired	(101,545)		\$ 40.60	(101,545)		\$ 40.60
Balance, December 31, 2023	148,543	0.63	\$ 74.00	148,543	0.63	\$ 74.00
Issued/Vested	-			-		
Exercised	-			-		
Expired	(148,543)		\$ 74.00	(148,543)		\$ 74.00
Balance, December 31, 2024	-			-		

* Except where otherwise specified, the numbers of common stock and common stock purchase warrant, the purchase prices of the common stock, the exercise prices of the common stock purchase warrant discussed in this note have been retroactively restated for effect of the 1-for-5 and 1-for-4 reverse stock split on January 18, 2023 and September 30, 2024, respectively. See Note 4(l).

17. Restricted Net Assets

The Company is a Nevada holding company with operations primarily conducted in China through its PRC subsidiaries, the consolidated VIEs and VIEs' subsidiaries. The Company's ability to pay dividends to U.S. investors may depend on receiving distributions from its PRC subsidiaries and settlement of the amounts owed under the VIE agreements from the consolidated VIEs. Any limitation on the ability of the Company's PRC subsidiaries and the consolidated VIEs to make payments to the Company, or the tax implications of making payments to the Company, could have a material adverse effect on its ability to pay dividends to the U.S. investors.

The PRC regulations currently permit payment of dividends only out of accumulated profits, as determined in accordance with PRC accounting standards and regulations. The Company's PRC subsidiaries, the consolidated VIEs and their subsidiaries in China are also required to set aside at least 10% of their respective after-tax profit based on the PRC accounting standards and regulations each year to the statutory surplus reserve, until the balance in the reserve reaches 50% of the registered capital of the respective PRC entities. In accordance with these PRC laws and regulations, the Company's PRC subsidiaries, the consolidated VIEs and their subsidiaries are restricted in their ability to transfer a portion of their net assets to the Nevada holding company. As of December 31, 2024 and December 31, 2023, net assets restricted in the aggregate, that are included in the Company's consolidated net assets, were approximately US\$13.23 million and US\$13.41 million, respectively. Appropriations to the enterprise expansion fund and staff welfare and bonus fund of a foreign-invested PRC entity and appropriation to the discretionary surplus reserve of other PRC entities are at the discretion of the board of directors. To date, none of the Company's PRC subsidiaries, the consolidated VIEs and their subsidiaries appropriated any of these non-mandatory funds and reserves. Furthermore, if these entities incur debt on their own in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments.

Under the PRC Enterprise Income Tax ("EIT") Law and related regulations, dividends, interests, rent or royalties payable by a foreign-invested enterprise to its immediate holding company outside China are subject to a 10% withholding tax. 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. Hong Kong has a tax arrangement with mainland China that provides for a 5% withholding tax on dividends subject to certain conditions and requirements, such as the requirements that the Hong Kong enterprise owns at least 25% of the PRC enterprise distributing the dividend at all times within the 12-month period immediately preceding the distribution of dividends and provides that the recipient can demonstrate it is a Hong Kong tax resident and it is the beneficial owner of the dividends. The PRC government adopted regulations in 2018 which stipulate that in determining whether a non-resident enterprise has the status as a beneficial owner, comprehensive analysis shall be conducted based on the factors listed therein and the actual circumstances of the specific case shall be taken into consideration. Specifically, it expressly excludes an agent or a designated payee from being considered as a "beneficial owner". The Company owns its PRC subsidiaries through China Net HK. China Net HK currently does not hold a Hong Kong tax resident certificate from the Inland Revenue Department of Hong Kong, there is no assurance that the reduced withholding tax rate will be available for the Company. If China Net HK is not considered to be the "beneficial owner" of the dividends by the Chinese local tax authority, any dividends paid to it by the Company's PRC subsidiaries would be subject to a withholding tax rate of 10%.

There are no restrictions for the consolidated VIEs to settle the amounts owed under the VIE agreements to Rise King WFOE. However, arrangements and transactions among affiliated entities may be subject to audit or challenge by the PRC tax authorities. If at any time the VIE agreements and the related fee structure between the consolidated VIEs and Rise King WFOE is determined to be non-substantive and disallowed by Chinese tax authorities, the consolidated VIEs could, as a matter of last resort, make a non-deductible transfer to Rise King WFOE for the amounts owed under the VIE agreements. This would result in such transfer being non-deductible expenses for the consolidated VIEs but still taxable income for Rise King WFOE. If this happens, it may increase the Company's tax burden and reduce its after-tax income in the PRC, and may materially and adversely affect its ability to make distributions to the holding company. The Company's management is of the view that the likelihood that this scenario would happen is remote.

The Company's PRC subsidiaries generate all of their revenue in Renminbi, Renminbi is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of the Company's PRC subsidiaries to pay dividends/make distributions to the Company. The Chinese government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in availability of foreign currency may then restrict the ability of the Company's PRC subsidiaries to remit sufficient foreign currency to the Nevada holding company for the holding company to pay dividends to the U.S. investors. Renminbi is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and foreign debt. Currently, the Company's PRC subsidiaries may purchase foreign currency for settlement of current account transactions, including payment of dividends to the Nevada holding company, without the approval of the State Administration of Foreign Exchange of China (the "SAFE") by complying with certain procedural requirements. However, the relevant Chinese governmental authorities may limit or eliminate the Company's ability to purchase foreign currencies in the future for current account transactions. The Chinese government may continue to strengthen its capital controls, and additional restrictions and substantial vetting processes may be instituted by the SAFE for cross-border transactions falling under both the current account and the capital account. Any existing and future restrictions on currency exchange may limit the Company's ability to utilize revenue generated in Renminbi to pay dividends in foreign currencies to holders of the Company's securities. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant Chinese governmental authorities. This could affect the Company's ability to obtain foreign currency through debt or equity financing for its PRC subsidiaries.

To date, none of the Company's subsidiaries has made any distribution of earnings or issued any dividends to their respective shareholder in or outside of China, or to the Nevada holding company, and the Nevada holding company has never declared or paid any cash dividends to U.S. investors.

The Company does not have any present plan to make any distribution of earnings/issue any dividends directly or indirectly to its Nevada holding company or pay any cash dividends on its common stock in the foreseeable future, because the Company currently intend to retain most, if not all, of its available funds and any future earnings to operate and expand the Company's business.

18. Employee defined contribution plan

Full time employees of the Company in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the PRC subsidiaries and VIEs of the Company make contributions to the government for these benefits based on certain percentages of the employees' salaries. The employee benefits were expensed as incurred. The Company has no legal obligation for the benefits beyond the contributions made. Total amounts for such employee benefits were approximately US\$0.08 million and US\$0.16 million for the years ended December 31, 2024 and 2023, respectively.

19. Concentration of risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and short-term loans to unrelated parties. As of December 31, 2024, 27% of the Company's cash and cash equivalents were held by financial institutions located in the United States of America, and the remaining 73% was held by major financial institutions located in the PRC. The Company believes that these financial institutions located in the PRC and the United States of America are of high credit quality. For accounts receivable and short-term loans to unrelated parties, the Company extends credit based on an evaluation of the customer's or other parties' financial condition, generally without requiring collateral or other security. In order to minimize the credit risk, the Company delegated a team responsible for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Further, the Company reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate allowances are made for doubtful accounts. In this regard, the Company considers that its credit risk for accounts receivable and short-term loans to unrelated parties are significantly reduced.

Concentration of customers

The following tables summarized the information about the Company's concentration of customers for the years ended December 31, 2024 and 2023, respectively:

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Customer A	Customer B	Customer C	Customer D	Customer E
Year Ended December 31, 2024					
Revenues, customer concentration risk	*	*	*	12%	*
Year Ended December 31, 2023					
Revenues, customer concentration risk	*	*	*	-	-
As of December 31, 2024					
Accounts receivable, customer concentration risk	*	*	-	42%	56%
As of December 31, 2023					
Accounts receivable, customer concentration risk	11%	56%	19%	-	-

* Less than 10%.

- No transaction incurred for the reporting period/no balance existed as of the reporting date.

Concentration of suppliers

The following tables summarized the information about the Company's concentration of suppliers for the years ended December 31, 2024 and 2023, respectively:

	Supplier A	Supplier B	Supplier C	Supplier D
Year Ended December 31, 2024				
Cost of revenues, supplier concentration risk	29%	-	10%	22%
Year Ended December 31, 2023				
Cost of revenues, supplier concentration risk	65%	17%	*	-

* Less than 10%.

20. Commitments and contingencies

The Company may from time to time become a party to various legal or administrative proceedings arising in its ordinary course of business. The Company evaluates the status of each legal matter and assesses the potential financial exposure. If the potential loss from any legal proceedings or litigation is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss. Significant judgment is required to determine the probability of a loss and whether the amount of the loss is reasonably estimated. As of the date hereof, based on the information currently available, the Company believes that the loss contingencies that may arise as a result of currently pending legal proceedings are not reasonably likely to have a material adverse effect on the Company's business, results of operations, financial condition, and cash flows.

21. Segment reporting

The Company follows ASC Topic 280 "Segment Reporting", which requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and evaluating their performance. Reportable operating segments include components of an entity about which separate financial information is available and which operating results are regularly reviewed by the chief operating decision maker ("CODM"), the Company's Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess each operating segment's performance.

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024

	Internet Ad. and data service	Ecommerce O2O Ad and marketing services	Blockchain technology	Corporate	Inter- segment and reconciling item	Total
	US\$('000)	US\$('000)	US\$('000)	US\$('000)	US\$('000)	US\$('000)
Revenues	14,689	-	750		-	15,439
Cost of revenues	14,152	-	841		-	14,993
Total operating expenses	1,727	14	-	2,462(1)	-	4,203
Depreciation and amortization expenses included in cost of revenues and operating expenses	29	-	841	67	-	937
Impairment on intangible assets included in operating expenses	-	-	-	-	-	-
Loss from operations	(1,190)	(14)	(91)	(2,462)	-	(3,757)
Impairment on long-term investments	-	-	-	(2)	-	(2)
Gain on disposal of subsidiaries	22	-	-	1	-	23
Net loss	(1,491)	(12)	(91)	(2,175)	-	(3,769)
Total assets-December 31, 2023	7,627	145	-	34,260	(32,346)	9,686

(1) Including approximately US\$0.68 million share-based compensation expenses.

For the Year Ended December 31, 2023

	Internet Ad. and data service	Ecommerce O2O Ad and marketing services	Blockchain technology	Corporate	Inter- segment and reconciling item	Total
	US\$('000)	US\$('000)	US\$('000)	US\$('000)	US\$('000)	US\$('000)
Revenues	30,510	-	75		-	30,585
Cost of revenues	30,180	-	841		-	31,021
Total operating expenses	2,388	11	-	3,177(1)	-	5,576
Depreciation and amortization expenses included in cost of revenues and operating expenses	366	-	841	81	-	1,288
Impairment on intangible assets included in operating expenses	1,231	-	-	-	-	1,231
Loss from operations	(2,058)	(11)	(766)	(3,177)	-	(6,012)
Impairment on long-term investments	-	-	-	(433)	-	(433)
Change in fair value of warrant liabilities	-	-	-	185	-	185
Net loss	(2,085)	(6)	(766)	(3,117)	-	(5,974)
Total assets-December 31, 2023	7,966	144	841	34,867	(32,585)	11,233

(1) Including approximately US\$0.11 million share-based compensation expenses.

22. Loss per share

Basic and diluted loss per share for each of the years presented is calculated as follows (All amounts, except number of shares and per share data, are presented in thousands of U.S. dollars):

	Year Ended December 31,	
	2024	2023
	US\$('000)	US\$('000)
Net loss attributable to ZW Data Action Technologies Inc. (numerator for basic and diluted loss per share)	\$ (3,761)	\$ (5,974)
Weighted average number of common shares outstanding – Basic and diluted **	2,021,492	1,923,801
Loss per share -Basic and diluted **	\$ (1.86)	\$ (3.11)

For the years ended December 31, 2024 and 2023, the diluted loss per share calculation did not include any outstanding warrants and options to purchase the Company's common stock, because they were out-of-the-money and their effect was anti-dilutive.

** Retrospectively restated for effects of the 1-for-5 and 1-for-4 reverse stock split effective on January 18, 2023 and September 30, 2024, respectively, See Note 4(I).

23. Share-based compensation expenses

In August and September of 2024, under its 2023 Omnibus Securities and Incentive Plan, the Company granted and issued an aggregate of approximately 0.19 million fully-vested shares of the Company's restricted common stock to employees of the Company in exchange for their services to the Company. These shares were valued at the closing bid price of the Company's common stock on the respective date of grant. Total compensation expenses recognized was approximately US\$0.45 million for the year ended December 31, 2024.

In August 2024, the Company granted and issued approximately 0.73 million fully-vested and non-forfeitable shares of the Company restricted common stock to business and financial consultants in exchange for their service for a 12-month period until August 2025. The Company valued these shares at the closing bid price of the Company's common stock on the grant date of these shares and recorded the related total cost of approximately US\$0.35 million as a prepayment asset in prepayment and deposit to suppliers account upon the grant and issuance of these shares. Total compensation expenses amortized was approximately US\$0.23 million for the year ended December 31, 2024.

In April 2023, under its 2020 Omnibus Securities and Incentive Plan, the Company granted and issued an aggregate of 0.03 million fully-vested shares of the Company's restricted common stock to one of the Company's executive officers in exchange for their services to the Company for the year ended December 31, 2023. These shares were valued at the closing bid price of the Company's common stock on the respective date of grant. Total compensation expenses recognized was approximately US\$0.05 million for the year ended December 31, 2023.

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In June 2022, the Company granted and issued 0.08 million fully-vested and non-forfeitable shares of the Company restricted common stock to a management consulting and advisory service provider in exchange for its service for a 12-month period until May 2023. The Company valued these shares at US\$1.75 per share, the closing bid price of the Company's common stock on the grant date of these shares and recorded the related total cost of approximately US\$0.14 million as a prepayment asset in prepayment and deposit to suppliers account upon the grant and issuance of these shares. Total compensation expenses amortized was approximately US\$0.06 million for the year ended December 31, 2023.

The table below summarized share-based compensation expenses recorded for the years ended December 31, 2024 and 2023, respectively:

	Year Ended December 31,	
	2024	2023
	US\$('000)	US\$('000)
Sales and marketing expenses	-	-
General and administrative expenses	684	108
Research and development expenses	-	-
Total	684	108

24. Subsequent events

Acquisition of Rahula

ChinaNet Investment Holding Limited (the "Purchaser"), a British Virgin Islands company and an indirect wholly-owned subsidiary of the Company, entered into a Share Sale and Purchase Agreement dated as of March 3, 2025 (the "Agreement") with Vickie Chan, an individual (the "Seller"), pursuant to which the Seller agrees to sell, and the Purchaser agrees to buy, the 10,000 shares of Rahula Digital Media (HK) Limited, a Hong Kong company (the "Rahula") that the Seller owns, transferring full legal and beneficial ownership. Rahula owns 100% equity interest in Shenzhen Shangye Business Consulting Services Co., Ltd., a People's Republic of China company (together as "Rahula Group"). Rahula Group is principally engaged in the development and monetization of intellectual property rights on agent management, marketing data management, targeted marketing and mass marketing systems and technologies. The purchase price is US\$600,000. The transaction was completed on March 7, 2025.

Securities Purchase Agreements

On January 2, January 3, January 15, January 17, 2025, we entered into a securities purchase agreement with each of four investors, respectively, pursuant to which each purchaser agreed to purchase 119,100 shares of common stock of the Company for an aggregate purchase price of US\$250,110, representing a purchase price of US\$2.1 per share.

**ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The closing of each transaction shall take place on the date mutually agreed by the parties, subject to the closing conditions contained in each such agreement. On the date that the agreement was signed, each purchaser entered into a lock-up agreement with us, respectively, whereby the purchaser agreed not to transfer the shares until six-month anniversary of the date of each agreement.

As of the date of this annual report, the transactions as described above have not completed.

Except for the above mentioned matters, no other material events which are required to be adjusted or disclosed as of the date of this consolidated financial statements.

**DESCRIPTION OF THE REGISTRANT'S COMMON STOCK
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

General

ZW Data Action Technologies Inc. has one class of securities, common stock, registered under Section 12 of the Securities Exchange Act of 1934, as amended. The following is a summary of all material characteristics of our common stock as set forth in our articles of incorporation and bylaws. The summary does not purport to be complete and is qualified in its entirety by reference to our articles of incorporation and bylaws, all of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.4 is a part, and to the provisions of the Nevada Revised Statutes.

Our authorized capital stock consists of 32,500,000 shares, consisting of 12,500,000 shares of common stock par value \$.001 per share, of which 2,301,205 shares are issued and outstanding as of the date of this Annual Report, and 20,000,000 shares of preferred stock, par value \$.001 per share. None of our preferred stock is currently outstanding. Pursuant to our articles of incorporation, our board of directors has the authority to provide for the issuance, in one or more series, of our authorized preferred stock and to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any series of our preferred stock.

Common Stock

Each holder of shares of common stock is entitled to one vote per share at stockholders' meetings. Our articles of incorporation do not provide for cumulative voting for the election of directors. Holders of shares of common stock are entitled to receive, pro rata, such dividends as may be declared by the board of directors out of funds legally available therefor, and are also entitled to share, pro rata, in any other distributions to the stockholders. Upon any liquidation, dissolution or winding-up, holders of shares of common stock are entitled to share ratably in all assets remaining after payment of liabilities. Holders of shares of common stock do not have any preemptive rights or other rights to subscribe for additional shares. The outstanding shares of common stock are paid for, fully paid and non-assessable. The rights, preferences and privileges of the holders of our common stock are subject to the rights of the holders of shares of any series of preferred stock which we may issue in the future.

Transfer Agent

The transfer agent for our capital stock is Empire Stock Transfer, with an address at 1859 Whitney Mesa Dr., Henderson, Nevada 89014, telephone number is 702-818-5898.

Stock Exchange Listing

Our common stock is listed on the NASDAQ Capital Market under the symbol "CNET."

Control Share Acquisitions

The "control share" provisions of Sections 78.378 to 78.3793, inclusive, of the NRS, apply to "issuing corporations" that are Nevada corporations with at least 200 stockholders of record, including at least 100 stockholders of record who are Nevada residents, and that conduct business directly or indirectly in Nevada, unless the corporation has elected to not be subject to these provisions. The control share statute prohibits an acquirer of shares of an issuing corporation, under certain circumstances, from voting its shares of a corporation's stock after crossing certain ownership threshold percentages, unless the acquirer obtains approval of the target corporation's disinterested stockholders. The statute specifies three thresholds: (a) one-fifth or more but less than one-third, (b) one-third but less than a majority, and (c) a majority or more, of the outstanding voting power. Generally, once a person acquires shares in excess of any of the thresholds, those shares and any additional shares acquired within 90 days thereof become "control shares" and such control shares are deprived of the right to vote until disinterested stockholders restore the right. These provisions also provide that if control shares are accorded full voting rights and the acquiring person has acquired a majority or more of all voting power, all other stockholders who do not vote in favor of authorizing voting rights to the control shares are entitled to demand payment for the fair value of their shares in accordance with statutory procedures established for dissenters' rights. A corporation may elect to not be governed by, or "opt out" of, the control share provisions by making an election in its articles of incorporation or bylaws, provided that the opt-out election must be in place on the 10th day following the date an acquiring person has acquired a controlling interest, that is, crossing any of the three thresholds described above. We have not opted out of these provisions and will be subject to the control share provisions of the NRS if we meet the definition of an issuing corporation upon an acquiring person acquiring a controlling interest unless we later opt out of these provisions and the opt out is in effect on the 10th day following such occurrence.

The effect of the Nevada control share statute is that the acquiring person, and those acting in association with the acquiring person, will obtain only such voting rights in the control shares as are conferred by a resolution of the stockholders at an annual or special meeting. The Nevada control share law, if applicable, could have the effect of discouraging takeovers of our company.

ZW DATA ACTION TECHNOLOGIES INC.

中网在线控股有限公司

**INSIDER TRADING POLICY
and Guidelines with Respect to
Certain Transactions in Company Securities**

In order to take an active role in the prevention of insider trading violations by its directors, officers and other employees, as well as by other related individuals, ZW Data Action Technologies Inc. (the “Company”) has adopted the policies and procedures described in this Insider Trading Policy (the “Policy”).

Applicability of Policy

This Policy applies to all transactions in the Company’s securities, including common stock, options for common stock and any other securities the Company may issue from time to time, such as preferred stock, warrants and convertible debentures, as well as to derivative securities relating to the Company’s stock, whether or not issued by the Company, such as exchange-traded options. It applies to all directors, officers and all other employees of, or consultants or contractors to, the Company, as well as family members of such persons, and others, in each case where such persons have or may have access to Material Nonpublic Information (as defined below). This group of people, members of their immediate families, and members of their households are sometimes referred to in this Policy as “Insiders.” This Policy also applies to any person who receives Material Nonpublic Information from any Insider.

Any person who possesses Material Nonpublic Information regarding the Company is an Insider for so long as the information is not publicly known. Any employee can be an Insider from time to time, and would be subject to this Policy.

Compliance Officer

The Company has appointed Kai (George) Chu, as the Company’s Insider Trading Compliance Officer. Please contact him or her (or anyone that he/she has designated to field questions) with questions as to any of the matters discussed in this Policy.

Statement of Policy**General Policy**

It is the policy of the Company to oppose the unauthorized disclosure of any nonpublic information acquired in the work-place and the misuse of Material Nonpublic Information in securities trading.

Specific Policies

- 1. Trading on Material Nonpublic Information.** No director, officer or other employee of, or consultant or contractor to, the Company, and no member of the immediate family or household of any such person, shall engage in any transaction involving a purchase or sale of the Company's securities, including any offer to purchase or offer to sell, during any period commencing with the date that he or she possesses Material Nonpublic Information concerning the Company, and ending at the open of business on the second full Trading Day following the date of public disclosure of that information, or at such time as such nonpublic information is no longer material. As used herein, the term "Trading Day" shall mean a day on which national stock exchanges are open for trading. A Trading Day begins at the time trading begins on such day. This restriction on trading does not apply to transactions made under a trading plan that has been adopted pursuant to Rule 10b5-1(c) promulgated under the Securities Exchange Act of 1934, as amended, and that has been approved in writing by the Company (an "approved Rule 10b5-1 trading plan").
- 2. Tipping.** No Insider shall disclose ("tip") Material Nonpublic Information to any other person (including family members) where such information may be used by such person to his or her profit by trading in the securities of companies to which such information relates, nor shall such Insider or related person make recommendations or express opinions on the basis of Material Nonpublic Information as to trading in the Company's securities.
- 3. Confidentiality of Nonpublic Information.** Nonpublic information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden. In the event any director, officer or other employee receives any inquiry from outside the Company, such as a stock analyst, for information (particularly financial results and/or projections) that may be Material Nonpublic Information, the inquiry should be referred to the Company's Compliance Officer, who is responsible for coordinating and overseeing the release of such information to the investing public, analysts and others in compliance with applicable laws and regulations.
- 4. Blackout Period.** All Section 16 Persons and Designated Insiders (contact the Insider Trading Compliance Officer if you are unsure whether you fall into either of these categories) must refrain from engaging in transactions involving a purchase or sale of the Company's securities, including any offer to purchase or offer to sell, during the period in any fiscal quarter commencing three weeks prior to the end of the fiscal quarter and ending at the open of market on the third full Trading Day following the date of public disclosure of the financial results for the prior fiscal quarter or year (the "Blackout Period").
- 5. Prohibition Against Margining of Company Securities.** No Section 16 Person of the Company shall margin, or make any offer to margin, any of the Company's securities as collateral to purchase the Company's securities or the securities of any other issuer. Notwithstanding the previous sentence, this paragraph is not meant to, and shall not be construed so as to, affect the ability of any Section 16 Person of the Company, from using his or her securities as collateral to securitize a bona fide loan.
- 6. Prohibition Against Short Sales.** No Section 16 Person or other employee of the Company shall, directly or indirectly, sell any equity security of the Company if the person selling the security or his principal (1) does not own the security sold, or (2) if owning the security, does not deliver it against such sale (a "short sale against the box") within 20 days thereafter, or does not within five days after such sale deposit it in the mails or other usual channels of transportation. Generally, a short sale, as defined in this Policy, means any transaction whereby one may benefit from a decline in the Company's stock price. While employees who are not executive officers or directors are not prohibited by law from engaging in short sales of the Company's securities, the Company believes it is inappropriate for employees to engage in such transactions.
- 7. Prohibition Against Trading in Derivative Securities.** No Section 16 Person or other employee of the Company shall purchase or sell, or make any offer to purchase or offer to sell, derivative securities relating to the Company's securities, whether or not issued by the Company, such as exchange traded options to purchase or sell the Company's securities (so called "puts" and "calls"). This paragraph is not meant to, and shall not be construed as to, affect the ability of the Company to grant options to officers, directors and employees under employee benefit plans or agreements adopted by the Board of Directors or the ability of officers, directors and employees to exercise such options and sell the underlying common stock, provided that any such sale is otherwise in accordance with this Policy.

8. Prohibition Against Internet Disclosure. It is inappropriate for any unauthorized person to disclose Company information on the Internet and more specifically in forums (chat rooms) where companies and their prospects are discussed. Examples of such forums include but are not limited to Yahoo! Finance, Silicon Investor and Motley Fool. The posts in these forums are typically made by unsophisticated investors who are sometimes poorly informed, and generally are carelessly stated or, in some cases, malicious or manipulative and intended to benefit their own stock positions. Accordingly, no director, officer, employee, consultant or contractor or other party related to the Company may discuss the Company or Company-related information in such a forum regardless of the situation. Despite any inaccuracies that may exist (and often there are many), posts in these forums can result in the disclosure of material non-public information and may bring significant legal and financial risk to the Company and are therefore prohibited, without exception. Any post that is made by any person with access to Material Nonpublic Information, or information supplied by any such person for someone else to post, will be treated as a violation of this Policy.

Potential Criminal and Civil Liability and/or Disciplinary Action

1. Liability for Insider Trading. Pursuant to federal and state securities laws, Insiders may be subject to criminal and civil fines and penalties as well as imprisonment for engaging in transactions in the Company's securities at a time when they have knowledge of Material Nonpublic Information regarding the Company.

2. Liability for Tipping. Insiders may also be liable for improper transactions by any person (commonly referred to as a "tippee") to whom they have disclosed Material Nonpublic Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company's securities. The Securities and Exchange Commission (the "SEC") has imposed large penalties even when the disclosing person did not profit from the trading. The SEC, the stock exchanges and the Financial Industry Regulatory Authority use sophisticated electronic surveillance techniques to uncover insider trading.

3. Possible Disciplinary Actions. Employees of the Company who violate this Policy shall also be subject to disciplinary action by the Company, which may include ineligibility for future participation in the Company's equity incentive plans or termination of employment.

Trading Guidelines and Requirements

4. Recommended Trading Window. The "Trading Window" is that period of a fiscal quarter during which the Section 16 Persons and Designated Insiders of the Company are not precluded (assuming they do not possess Material Nonpublic Information) from trading in the Company's securities as described in Paragraph 2 below.

The safest period for trading in the Company's securities, assuming the absence of Material Nonpublic Information, is generally the first 20 days of the Trading Window. However, even during the Trading Window any person possessing Material Nonpublic Information concerning the Company should not engage in any transactions in the Company's securities until such information has been known publicly for at least one full Trading Day. This trading restriction does not apply to transactions made under an approved Rule 10b5-1 trading plan. Each person is individually responsible at all times for compliance with the prohibitions against insider trading.

5. Blackout Period and Trading Window. The Blackout Period is a particularly sensitive period of time for transactions in the Company's stock from the perspective of compliance with applicable securities laws. This sensitivity is due to the fact that directors, officers and certain other employees will, during that period, often possess Material Nonpublic Information about the expected financial results for the quarter. All Section 16 Persons and Designated Insiders of the Company are prohibited from trading during the Blackout Period.

The prohibition against trading during the Blackout Period encompasses the fulfillment of "limit orders" by any broker for a Section 16 Person or Designated Insider, and the brokers with whom any such limit order is placed must be so instructed at the time it is placed.

From time to time, the Company may also prohibit Section 16 Persons and other employees, consultants or contractors from trading in the Company's securities because of developments known to such persons in the Company and not yet disclosed to the public. In this event, such persons may not engage in any transaction involving the purchase or sale of the Company's securities during such period and should not disclose that fact to others.

Any employee or other person possessing Material Nonpublic Information concerning the Company should not engage in any transactions in the Company's securities until such information has been known publicly for at least one full Trading Day, whether or not it is during the Trading Window or the Company has recommended suspension of trading to that person. This trading restriction does not apply to transactions made under an approved Rule 10b5-1 trading plan. Trading in the Company's securities during the Trading Window should not be considered a "safe harbor," and all Section 16 Persons, employees and other persons should use good judgment at all times.

6. Pre-clearance of Trades. The Company has determined that all Section 16 Persons and Designated Insiders of the Company should refrain from trading in the Company's securities, even during the Trading Window, without first complying with the Company's "pre-clearance" process. Each Section 16 Person and Designated Insider should contact the Company's Insider Trading Compliance Officer prior to commencing any trade in the Company's securities. The Company may also find it necessary, from time to time, to require compliance with the pre-clearance process from certain other employees who have access to Material Nonpublic Information. A Section 16 Person or Designated Insider wishing to trade pursuant to an approved Rule 10b5-1 trading plan need not seek pre-clearance from the Company's Insider Trading Compliance Officer before each such trade takes place; however, such person must obtain Company approval of the proposed Rule 10b5-1 trading plan before adopting it.

7. Individual Responsibility. Every person subject to this Policy has the individual responsibility to comply with this Policy against insider trading, and appropriate judgment should be exercised in connection with any trade in the Company's securities. An Insider may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to make the transaction before learning of Material Nonpublic Information and even though the Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting.

Applicability of Policy to Inside Information Regarding Other Companies

This Policy and the restrictions and guidelines described herein also apply to Material Nonpublic Information relating to other companies, including the Company's customers, vendors or suppliers ("business partners"), when that information is obtained in the course of employment with, or other services performed for, the Company. Civil and criminal penalties, and termination of employment, may result from trading on inside information regarding the Company's business partners. All directors, officers and other employees should treat Material Nonpublic Information about the Company's business partners with the same care required for information related directly to the Company.

Definition of Material Nonpublic Information

It is not possible to define all categories of material information. However, information should be regarded as material if there is a reasonable likelihood that it would be considered important to an investor in making an investment decision regarding the purchase or sale of the Company's securities. In this regard, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information include:

Financial Related Events

- Financial results
- Projections of future earnings or losses
- Stock splits
- New equity or debt offerings
- Impending bankruptcy or financial liquidity problems
- Creation of a material direct or contingent financial obligation

Corporate Developments

- Pending or proposed merger or acquisition
- Disposition or acquisition of significant assets
- Significant litigation exposure due to actual or threatened litigation
- Major changes in senior management
- Material agreement not in the ordinary course of business (or termination thereof)

Nonpublic information is information that has not been previously disclosed to the general public and is otherwise not available to the general public. Either positive or negative information may be material.

Certain Exceptions

For purposes of this Policy, the Company considers that the exercise of stock options for cash under the Company's stock option plans or the purchase of shares under the Company's employee stock purchase plan (but not the sale of any such shares) is exempt from this Policy, since the other party to the transaction is the Company itself and the price does not vary with the market but is fixed by the terms of the option agreement or the plan.

Additional Information - Directors and Officers

Directors and officers of the Company must also comply with the reporting obligations and limitations on short-swing transactions set forth in Section 16 of the Exchange Act. The practical effect of these provisions is that officers and directors who purchase and sell the Company's securities within a six-month period must disgorge all profits to the Company whether or not they had knowledge of any Material Nonpublic Information. Under these provisions, and so long as certain other criteria are met, neither the receipt of an option under the Company's option plans, nor the exercise of that option, nor the purchase of stock under the Company's employee stock purchase plan is deemed a purchase under Section 16(b); however, the sale of any such shares is a sale under Section 16. Moreover, pursuant to Section 16(c) of the Exchange Act (as well as this Policy), no Section 16 Persons or any other employee may make a short sale of the Company's stock. The Company has provided, or will provide, separate memoranda and other appropriate materials to its officers and directors regarding compliance with Section 16 and its related rules.

Persons subject to the reporting requirements of Section 16 must file their statements of change in ownership on Form 4 before the end of the second business day following such change in ownership. These reports will be made available on our corporate website and a publicly accessible Internet site maintained by the SEC.

Inquiries

Please direct your questions as to any of the matters discussed in this Policy to the Company's Insider Trading Compliance Officer.

DIRECTORS AND OFFICERS SUBJECT TO SECTION 16

1. Directors:

Handong Cheng
George Kai Chu
Qiu Chang
Zhiqing Chen
Chung Wang Yiu (Ron)
Fernando Chen
Kin Ming Justin Tam

2. Officers:

Name	Position
Handong Cheng	Chief Executive Officer and President
	Chief Financial Officer

DESIGNATED INSIDERS

Name

Position

Subsidiaries

China Net Online Media Group Limited (“China Net BVI”), a British Virgin Islands company.

China Net BVI is the sole shareholder of CNET Online Technology Co. Limited (“China Net HK”), a Hong Kong company, and the sole shareholder of ChinaNet Investment Holding Ltd. (“ChinaNet Investment BVI”), a British Virgin Islands company.

ChinaNet Investment BVI is the sole shareholder of Grandon Investments Limited (“Grandon BVI”), a British Virgin Islands company.

China Net HK is the sole shareholder of Rise King Century Technology Development (Beijing) Co., Ltd., a wholly foreign-owned enterprise (“WFOE”), established in the People’s Republic of China (the “PRC”).

The WFOE is the sole shareholder of ChinaNet Online Holdings Co., Ltd. (“ChinaNet Online Holdings”), and the sole shareholder of ChinaNet Online (Guangdong) Holdings Co., Ltd. (“ChinaNet Online Guangdong Holdings”), each of which is incorporated in the PRC.

Through a series of contractual agreements (the “VIE agreements”) between the WFOE and Business Opportunity Online (as defined below) and Beijing CNET Online (as defined below) (Business Opportunity Online and Beijing CNET Online, collectively, the “VIEs”), the Company, through the WFOE, has the power to direct activities of the VIEs that most significantly impact the economic performance of the VIEs and the obligation to absorb the losses and the right to receive benefits of the VIEs that could potentially be significant to the VIEs in a manner that does not violate the related PRC laws. As such, the WFOE is deemed to be the primary beneficiary of the VIEs, that are parties to the relevant VIE agreements, for accounting purposes only, which serves the purpose of consolidating the VIEs’ operating results in the preparation of the Company’s consolidated financial statements under the U.S. GAAP.

- Business Opportunity Online (Beijing) Network Technology Co., Ltd. (“Business Opportunity Online”), incorporated in the PRC.
- Beijing CNET Online Advertising Co., Ltd. (“Beijing CNET Online”), incorporated in the PRC.

Business Opportunity Online is the sole shareholder of Beijing Chuang Fu Tian Xia Network Technology Co., Ltd. (“Beijing Chuang Fu Tian Xia”), the sole shareholder of Business Opportunity Online (Hubei) Network Technology Co., Ltd. (“Business Opportunity Online Hubei”), and the sole shareholder of ChinaNet Online (Guangdong) Technology Co., Ltd. (“ChinaNet Online Guangdong Technology”), each of which is incorporated in the PRC.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements of ZW Data Action Technologies Inc. (“the Company”) on Form S-8 (File No. 333-178269) filed with the Securities and Exchange Commission (“SEC”) on December 1, 2011, Form S-8 (File No. 333-206979) filed with the SEC on September 16, 2015, Form S-8 (File No. 333-252776) filed with the SEC on February 5, 2021, Form S-3 (File No. 333-228061), as amended, initially filed with the SEC on October 30, 2018, Form S-3 (File No. 333-254339), as amended, initially filed with the SEC on March 16, 2021, Form S-3 (File No. 276448) filed with the SEC on January 10, 2024, Form S-8 (File No. 276655) filed with the SEC on January 23, 2024 and Form S-8 (File No. 333-285909) filed with the SEC on March 19, 2025, of our report dated April 15, 2025, with respect to our audits of the consolidated financial statements of the Company as at December 31, 2024 and for the year then ended, which report is included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2024.

/s/ ARK Pro CPA & Co

ARK PRO CPA & Co

Hong Kong, China
April 15, 2025

PCAOB Firm ID: 3299

香港九龍新蒲崗太子道東698號寶光商業中心16樓1602-03室
Unit 1602-03, 16/F., Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong

CERTIFICATION

I, Handong Cheng, the Chief Executive Officer of the registrant, certify that:

- (1) I have reviewed this Annual Report on Form 10-K of ZW Data Action Technologies Inc., for the fiscal year ended December 31, 2024.
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15a-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2025

By: /s/ Handong Cheng

Name: Handong Cheng

Title: Chief Executive Officer (principal executive officer)

CERTIFICATION

I, Handong Cheng, the Acting Chief Financial Officer of the registrant, certify that:

- (1) I have reviewed this Annual Report on Form 10-K of ZW Data Action Technologies Inc., for the fiscal year ended December 31, 2024.
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15a-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2025

By: /s/ Handong Cheng

Name: Handong Cheng

Title: Acting Chief Financial Officer (principal accounting and financial officer)

Certification
Pursuant to 18 U.S.C. Section 1350,
As Adopted
Pursuant to Section 906 of the
Sarbanes - Oxley Act of 2002

In connection with the Annual Report of ZW Data Action Technologies Inc. (the "Company"), on Form 10-K for the year ended December 31, 2024 as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), each of the undersigned of the Company, certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies, in all material respects, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Handong Cheng

Name: Handong Cheng

Title: Chief Executive Officer (principal executive officer)

April 15, 2025

By: /s/ Handong Cheng

Name: Handong Cheng

Title: Acting Chief Financial Officer (principal accounting and financial officer)

April 15, 2025

ZW DATA ACTION TECHNOLOGIES INC.

CLAWBACK POLICY

Introduction

The Board of Directors (the “**Board**”) of ZW Data Action Technologies Inc. (the “**Company**”) believes that it is in the best interests of the Company and its stockholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company’s pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation received in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the “**Policy**”). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934 (the “**Exchange Act**”), the rules and amendments adopted by the Securities and Exchange Commission (the “**SEC**”) to implement the aforementioned legislation, and the listing standards of the national securities exchange on which the Company’s securities are listed.

Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

Covered Executives

This Policy applies to the Company’s current and former executive officers, as determined by the Board in accordance with Section 10D of the Exchange Act and the listing standards of the national securities exchange on which the Company’s securities are listed, and such other senior executives/employees who may from time to time be deemed subject to the Policy by the Board (“**Covered Executives**”).

Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, the Board will require reimbursement or forfeiture of any excess Incentive Compensation (as defined below) received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

Incentive Compensation

For purposes of this Policy, Incentive Compensation means any of the following; provided that such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure:

- Annual cash bonuses and other short- and long-term cash incentives
- Stock options
- Stock appreciation rights
- Restricted stock
- Restricted stock units
- Performance shares
- Performance units

Financial reporting measures are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures and may include, among other things, any of the following:

- Company stock price
- Total stockholder return
- Revenues
- Net income
- Earnings before interest, taxes, depreciation, and amortization (EBITDA)
- Liquidity measures such as working capital or operating cash flow
- Earnings measures such as earnings per share
- "Non-GAAP financial measures" for purposes of Exchange Act Regulation G and 17CFR 229.10

Excess Incentive Compensation: Amount Subject to Recovery

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board.

If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement on the applicable measure.

Method of Recoupment

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

- requiring reimbursement of cash Incentive Compensation previously paid;
- seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;
- cancelling outstanding vested or unvested equity awards; and/or
- taking any other remedial and recovery action permitted by law, as determined by the Board.

No Indemnification

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation.

Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and applicable rules or standards adopted by the Securities and Exchange Commission or any national securities exchange on which the Company's securities are listed.

Effective Date

This Policy shall be effective as of October 2, 2023 (the “**Effective Date**”) and shall apply to Incentive Compensation that is approved, awarded or granted to Covered Executives on or after that date. This Policy shall apply to any excess Incentive Compensation received by Covered Executives during the three immediately completed fiscal years preceding the date on which a company is required to prepare an accounting restatement.

Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with the rules and standards adopted by the SEC and the listing standards of any national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

Other Recoupment Rights

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Impracticability

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and any applicable rules or standards adopted by the SEC and the listing standards of any national securities exchange on which the Company's securities are listed.

Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

