

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

FORM 20-F

(Mark One)

Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

or

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2021

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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

or

Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of event requiring this shell company report

Commission file number 001-36206

BIT Mining Limited

(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands

(Jurisdiction of Incorporation or Organization)

Units 813 & 815, Level 8, Core F,  
Cyberport 3, 100 Cyberport Road,  
Hong Kong

(Address of Principal Executive Offices)

Qiang Yuan, Chief Financial Officer

Units 813 & 815, Level 8, Core F,  
Cyberport 3, 100 Cyberport Road,  
Hong Kong

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Securities and Exchange Act of 1934:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Class A ordinary shares, par value US\$0.00005 per share*	BTCM	New York Stock Exchange*
American Depositary Shares, each representing ten (10) Class A ordinary shares		

\* Not for trading, but only in connection with the listing of the American depositary shares ("ADSs") on the New York Stock Exchange. Each ADS represents the right to receive ten (10) Class A ordinary shares. The ADSs are registered under the Securities Act of 1933, as amended, pursuant to a registration statement on Form F-6. Accordingly, the ADSs are exempt from registration under Section 12(b) of the Securities Exchange Act of 1934, as amended, pursuant to Rule 12a-8 thereunder.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

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

None

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Indicate the number of outstanding shares of each of the Issuer’s classes of capital or common stock as of the close of the period covered by the annual report.

**710,078,070 Class A ordinary shares , 65,000 Class A preference shares and 99 Class B ordinary shares, par value US\$0.00005 per share, as of December 31, 2021.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging Growth Company

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

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

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

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

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

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

Item 17  Item 18

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

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

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

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## CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT ON FORM 20-F

Unless otherwise indicated, references in this annual report on Form 20-F to:

- “ADRs” are to the American depositary receipts, which, if issued, evidence our ADSs;
- “ADSs” are to our American depositary shares, each of which represents ten (10) Class A ordinary shares;
- “China” and the “PRC” are to the People’s Republic of China, excluding, for the purposes of this annual report only, Taiwan and the special administrative regions of Hong Kong and Macau;
- “consolidated affiliated entities” refers to the former consolidated affiliated entities of our Company, namely,
  - Lhasa Yicai Network Technology Co., Ltd., or Lhasa Yicai, which was disposed of by the Company on January 8, 2021,
  - Hainan Jingli Network Technology Co., Ltd., or Hainan Jingli, which was disposed of by the Company on July 23, 2021,
  - Shenzhen E-Sun Sky Network Technology Co., Ltd., or E-Sun Sky Network, which was disposed of by the Company on July 23, 2021,
  - Shenzhen E-Sun Network Co., Ltd., or E-Sun Network, which was disposed of by the Company on July 23, 2021,
  - Shenzhen Kaisheng Jinfu Enterprise Management Co., Ltd., or Shenzhen Kaisheng, which was disposed of by the Company on July 23, 2021,
  - Shenzhen Guangtiandi Science and Technology Co., Ltd., or Guangtiandi Technology, which was disposed of by the Company on July 23, 2021,
  - Shenzhen Yicai Network Technology Co., Ltd., or Shenzhen Yicai, which was disposed of by the Company on July 23, 2021,
  - Shenzhen Youlanguang Science and Technology Co., Ltd., or Youlanguang Technology, which was disposed of by the Company on July 23, 2021, and
  - other intermediate holding companies.
- “ordinary shares” are to our ordinary shares, par value US\$0.00005 per share;
- “RMB” and “Renminbi” are to the legal currency of China;
- “US\$” and “U.S. dollars” are to the legal currency of the United States;
- “EUR” are to the legal currency of the European Union; and
- “We,” “us,” “our company,” “our,” “the Group” or “the Company” are to BIT Mining Limited, its predecessor entities and its consolidated affiliated subsidiaries.

Our business is primarily conducted in Hong Kong, the United States and Kazakhstan, and all of our revenues have been denominated in U.S. dollars since the third quarter of 2021, to reduce the impact of increased volatility of the U.S. dollar to Renminbi exchange rate on the Company's reported operating results. The Company believes that alignment of the reporting currency with underlying operations will better depict the Company's results of operations for each period. The related financial statements prior to July 1, 2021 have been recast to U.S. dollars as if the financial statements originally had been presented in U.S. dollars since the earliest period presented.

Our ADSs are listed on the NYSE under the Company's English name "BIT Mining Limited," and its ticker symbol "BTCM." Before April 20, 2021, our ADSs were listed on the NYSE under the Company's former English name "500.com Limited" and its former ticker symbol "WBAI."

## PART I

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

Not Applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

### ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

#### Risks Related to Our Business and Industry

**It may be or become illegal to acquire, own, hold, sell or use cryptocurrencies, participate in the blockchain, or transfer or utilize similar cryptocurrency assets in China or international markets where we operate due to adverse changes in the regulatory and policy environment in these jurisdictions.**

Our blockchain and cryptocurrency mining business could be significantly affected by, among other things, the regulatory and policy developments in international markets where we operate, such as the United States, Hong Kong and Kazakhstan. Governmental authorities are likely to continue to issue new laws, rules and regulations governing the blockchain and cryptocurrency industry we operate in and enhance enforcement of existing laws, rules and regulations. For example, the People’s Bank of China (the “PBOC”), Ministry of Industry and Information Technology, State Administration for Industry and Commerce, China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission issued “Announcement on Preventing Token Fundraising Risks” on September 4, 2017, prohibiting all organizations and individuals from engaging in initial coin offering transactions. On May 21, 2021, the Financial Stability and Development Committee of the PRC State Council called for the need to resolutely control financial risks and crack down on cryptocurrency mining and trading activities. On June 18, 2021, the “Notice of the Sichuan Provincial Development and Reform Commission and the Sichuan Provincial Energy Administration on the Cleanup and Shutdown of Virtual Currency Mining Projects” required electricity companies within Sichuan Province to close down power supply to businesses involved in cryptocurrency mining. On June 19, 2021, Ganzi Changhe received notice from the Local Power Supplier informing Ganzi Changhe that the power supply of its data center would be suspended, effective on the same day. On June 21, 2021, we terminated the operations of our two data centers in Sichuan according to the written notice from the Local Power Supplier. Our operations in Sichuan, including Ganzi Changhe, generated revenue of approximately US\$11.4 million, representing approximately 2.6% of our total revenues for the second quarter of 2021. Furthermore, on June 21, 2021, the PBOC was reported to have held interviews with certain financial institutions in China, and stressed that banks and other financial institutions in China shall strictly implement the “Guarding Against Bitcoin Risks” and the “Announcement on Preventing Token Fundraising Risks” and other regulatory requirements, diligently fulfill their customer identification obligations, and shall not provide account opening, registration, trading, clearing, settlement and other services related to blockchain and cryptocurrency business.

We had begun the development of our international operations before these recent regulatory and policy developments in China. In light of these developments in China, we have migrated our cryptocurrency operations to international markets. We may be subject to restrictions relating to the transfer of cryptocurrency mining machines out of China, as China has recently strengthened regulations on exports of goods, technology and services. Specifically, for computers and related components used in cryptocurrency mining machines, exporting enterprises should carefully evaluate whether the mining machines, their components, and any data or information contained therein are subject to export restrictions, and therefore are required to go through relevant export licensing procedures before such mining machines can be transported out of China. The relevant restrictions that apply to the transfer of cryptocurrency mining machines by us include, but are not limited to, the Catalogue of Goods Prohibited from Export, the Catalogue of Goods Subject to Export License Management, the Catalogue of Technologies Prohibited from Export and Restricted from Export in China, the Catalogue for the Administration of Import and Export Licenses of Dual-use Items and Technologies, and other applicable export control catalogues and lists. In addition, since most of our mining machines are second-hand equipment, we may also be required to evaluate, inspect and dispose of the relevant stored information or data to comply with relevant data security regulations before moving such machines to markets outside China. If we are deemed to have violated export restrictions or data security regulations in China or otherwise become subject to government interferences, we might still be subject to administrative penalties or criminal investigation by relevant government authorities.

We have recently adopted the development strategy to focus on the expansion of our blockchain and cryptocurrency mining operations to international markets. On September 22, 2021, we entered into the Ohio Mining Site Agreements with Viking Data Centers to jointly invest in the Ohio Mining Site with access to power capacity of up to 85 megawatts. In October 2021, we increased our investment in the Ohio Mining Site and brought its total planned power capacity up to 150 megawatts. As of the date of this annual report, we have completed the migration of all of our Bitcoin mining machines primarily to the United States and, to a lesser extent, Kazakhstan. However, we cannot assure you that the government authorities in these international markets will not adopt new laws and regulations in the future to restrict blockchain and cryptocurrency business.

Some jurisdictions, including China, restrict various uses of cryptocurrencies, including the use of cryptocurrencies as a medium of exchange, the conversion between cryptocurrencies and fiat currencies or between cryptocurrencies, the provision of trading and other services related to cryptocurrencies by financial institutions and payment institutions, and initial coin offerings and other means of capital raising based on cryptocurrencies. We cannot assure you that these jurisdictions will not enact new laws or regulations that further restrict activities related to cryptocurrencies.

In addition, cryptocurrencies may be used by market participants for black market transactions, to conduct fraud, money laundering and terrorism-funding, tax evasion, economic sanction evasion or other illegal activities. As a result, governments may seek to regulate, restrict, control or ban the mining, use, holding and transferring of cryptocurrencies. We may not be able to eliminate all instances where other parties use cryptocurrencies mined by us to engage in money laundering or other illegal or improper activities. We cannot assure you that we will successfully detect and prevent all money laundering or other illegal or improper activities which may adversely affect our reputation, business, financial condition and results of operations.

Due to the environmental-impact concerns related to the potential high demand for electricity to support cryptocurrency mining activity, political concerns, and for other reasons, we may be required to cease mining operations without much or any prior notice by a national or local government's formal or informal requirement or because of the anticipation of an impending requirement. For example, due to the most recent power shortage and political unrest in Kazakhstan, we temporarily suspended mining activities in Kazakhstan. We are still reevaluating our prospects there, but currently do not plan to carry out any joint construction of a new data center in that country.

Any such government action or anticipated action could have a negative impact not only on the value of existing miners owned by us, but on our ability to purchase new miners and their prices. Such government action or anticipated action could also have a deleterious impact on the price of cryptocurrencies. At a minimum, such events could result in an increase in the volatility of the price of the cryptocurrencies and value of miners owned by us. Moreover, if we discontinue mining operations in one location in response to such government action or anticipated action, we likely would transfer miners to another location. However, this process would result in costs associated with the transfer to be incurred by us, as well as the transferred miners being off-line and not able to mine cryptocurrencies for some time. Our business, financial condition and results of operations may be materially and adversely affected by these adverse changes in the regulatory and policy environment in the markets where we operate our blockchain and cryptocurrency mining operations.

**Any failure to obtain or renew any required approvals, licenses, permits or certifications could materially and adversely affect our business and results of operations.**

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications in order to operate our cryptocurrency mining business. Complying with such laws and regulations may require substantial expense, and any non-compliance may expose us to liability. In the event of non-compliance, we may have to incur significant expenses and divert substantial management time to rectify the incidents. In the future, if we fail to obtain all the necessary approvals, licenses, permits and certifications, we may be subject to fines or the suspension of operations at the mining facilities or data centers that do not have all the requisite approvals, licenses, permits and certifications, which could materially and adversely affect our business and results of operations. We may also experience adverse publicity arising from non-compliance with government regulations, which would negatively impact our reputation.

We have adopted the development strategy to focus on the expansion of our blockchain and cryptocurrency mining operations in international markets, and have established, and plan to establish cryptocurrency mining data centers in Hong Kong and the United States. As such, we are subject to regulations applicable to operators of cryptocurrency mining business and data processing business in these jurisdictions. We have obtained relevant governmental approval and license required for our data center operations in these jurisdictions. However, we cannot assure you that we will be able to maintain or renew the required government approval, permit, licenses for our proposed operations on commercially reasonable terms and in a timely manner or at all. Failure to maintain or renew these government approval, permit or licenses for our international operations may cause us to suspend or terminate our data center operations in such jurisdictions, and may subject us to regulatory investigations or legal proceedings and fines in these jurisdictions, which could disrupt our international operations and materially and adversely affect our business, financial condition and results of operations.

More broadly, we cannot assure you that we will be able to fulfill all the conditions necessary to obtain the required government approvals in the jurisdictions where we operate, or that relevant government officials in these jurisdictions will always, if ever, exercise their discretion in our favor, or that we will be able to adapt to any new laws, regulations or policies. There may also be delays on the part of government authorities in reviewing our applications and granting approvals, whether due to the lack of administrative resources or the imposition of new rules, regulations, government policies or their implementation, interpretation and enforcement, or for no discernible reason at all. If we are unable to obtain, or experience material delays in obtaining, necessary government approvals, our operations may be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

**A particular digital asset's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty, and if we are unable to properly characterize a digital asset, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, results of operations and/or financial condition.**

The SEC and its staff have taken the position that certain digital assets fall within the definition of a "security" under the U.S. federal securities laws. The legal test for determining whether any given digital asset is a security is a highly complex, fact-driven analysis that evolves over time, and the outcome is difficult to predict. The SEC generally does not provide advance guidance or confirmation on the status of any particular digital asset as a security. Additionally, the SEC's views in this area have evolved over time, and it is difficult to predict the direction or timing of any continuing evolution. Furthermore, it is also possible that a change in the governing administration or the appointment of new SEC commissioners could substantially impact the views of the SEC and its staff. Public statements by senior officials at the SEC indicate that the SEC does not intend to take the position that Bitcoin or Ethereum, in their current form, are securities. However, Bitcoin and Ethereum are the only digital assets as to which senior officials at the SEC have publicly expressed such a view. Such statements are not official policy statements by the SEC and reflect only the speakers' views, which are not binding on the SEC or any other agency or court, and cannot be generalized to any other digital asset, such as Dogecoin. With respect to all other digital assets, there is currently no certainty under the applicable legal test that such assets are not securities, notwithstanding the conclusions we may draw based on our assessment regarding the likelihood that a particular digital asset could be deemed a "security" under applicable laws. Similarly, though the SEC's Strategic Hub for Innovation and Financial Technology published a framework for analyzing whether any given digital asset is a security in April 2019, this framework is also not a rule, regulation or statement of the SEC and is not binding on the SEC.

Several foreign jurisdictions have taken a broad-based approach to classifying digital assets as “securities,” while other foreign jurisdictions have adopted a narrower approach. As a result, certain digital assets may be deemed to be a “security” under the laws of some jurisdictions but not others. Various foreign jurisdictions may, in the future, adopt additional laws, regulations, or directives that affect the characterization of digital assets as “securities.”

The classification of a digital asset as a security under applicable law has wide-ranging implications for the regulatory obligations that flow from the offer, sale, trading, and clearing of such assets. For example, a digital asset that is a security in the United States may generally only be offered or sold in the United States pursuant to a registration statement filed with the SEC or in an offering that qualifies for an exemption from registration. Persons that effect transactions in digital assets that are securities in the United States may be subject to registration with the SEC as a “broker” or “dealer.” Platforms that bring together purchasers and sellers to trade digital assets that are securities in the United States are generally subject to registration as national securities exchanges, or must qualify for an exemption, such as by being operated by a registered broker-dealer as an alternative trading system (“ATS”), in compliance with rules for ATSs. Persons facilitating clearing and settlement of securities may be subject to registration with the SEC as a clearing agency. Foreign jurisdictions may have similar licensing, registration, and qualification requirements. We have mined cryptocurrencies other than Bitcoin and Ethereum, and we received other types of cryptocurrencies, including Dogecoin, as commissions of our mining pool operation. The likely status of these cryptocurrencies as securities could limit distributions, transfers, or other actions involving such cryptocurrencies, including mining, in the United States.

We have adopted risk-based policies and procedures to analyze whether the digital assets that we mine, hold and sell for our own account could be deemed to be a “security” under applicable laws. Our policies and procedures do not constitute a legal standard, but rather represent our management’s assessment, based on advice of our securities counsel, regarding the likelihood that a particular digital asset could be deemed a “security” under applicable laws. Regardless of our conclusions, we could be subject to legal or regulatory action in the event the SEC, a foreign regulatory authority, or a court were to determine that a digital asset currently held by us is a “security” under applicable laws. If the digital assets mined and held by us are deemed as securities, it could limit distributions, transfers, or other actions involving such digital assets, including mining, in the United States. For example, the distribution of cryptocurrencies to miners under our mining pool business could be deemed to involve an illegal offering or distribution of securities subject to U.S. federal or state law. In addition, miners on cryptocurrency networks could, under certain circumstances, be viewed as statutory underwriters or as “brokers” subject to regulation under the Exchange Act. This could require us or our customers to change, limit, or cease mining operations, register as broker-dealers and comply with applicable law, or be subject to penalties, including fines. In addition, we could be subject to judicial or administrative sanctions for failing to sell the digital asset or distribute block rewards in compliance with the registration requirements, or for acting as a broker, dealer, or national securities exchange without appropriate registration. Such an action could result in injunctions, cease and desist orders, as well as civil monetary penalties, fines, and disgorgement, criminal liability, and reputational harm.

**Distributing digital assets in connection with our mining pool business involves risks, which could result in loss of customer assets, customer disputes and other liabilities, adversely impact our business, results of operations and/or financial condition.**

In order to own, transfer and use a digital asset on its underlying blockchain network, a person must have a private and public key pair associated with a network address, commonly referred to as a “wallet.” Each wallet is associated with a unique “public key” and “private key” pair, each of which is a string of alphanumeric characters. In order for us to allocate block rewards to our mining pool customers, customers must provide us with the public key of the wallet that the digital assets are to be transferred to, and we would be required to authorize the transfer. We rely on the information provided by customers to distribute cryptocurrencies to them, and we do not have access to our customers’ private key. A number of errors can occur in the process of distributing digital assets to customers’ wallets, such as typos, mistakes, or the failure to include the information required by the blockchain network. For instance, a customer may incorrectly enter the desired recipient’s public key when withdrawing from the mining pool, which may result in the permanent and irretrievable loss of the customer’s digital assets. Such incidents could result in customer disputes, damage to our brand and reputation, legal claims against us, and financial liabilities, any of which could adversely affect our business, results of operations and/or financial condition.



**The loss or destruction of private keys required to access any digital assets held by us may be irreversible. If we are unable to access our private keys or if we experience a hack or other data loss relating to our ability to access any digital assets, it could cause regulatory scrutiny, reputational harm, and other losses.**

Cryptocurrencies are generally controllable only by the possessor of the unique private key relating to the digital wallet in which the digital assets are held. While blockchain protocols typically require public addresses to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the digital assets held in such a wallet. We will publish the public key relating to digital wallets in use when we verify the receipt of transfers and disseminate such information into the network, but we will need to safeguard the private keys relating to such digital wallets. We safeguard and keep private the private keys relating to our digital assets by primarily utilizing enterprise multi-signature storage solution provided by an established third-party digital asset financial services platform.

To the extent that any of the private keys relating to our wallets containing digital assets held by us is lost, destroyed, or otherwise compromised or unavailable, and no backup of the private key is accessible, we will be unable to access digital assets held in the related wallet. Furthermore, as currently our digital wallet is maintained by a third-party digital asset financial services platform, we cannot provide assurance that our wallet will not be hacked or compromised, or that any information leakage and data security breach of such platform will not compromise the security of our digital wallet. Digital assets and blockchain technologies have been, and may in the future be, subject to security breaches, hacking, or other malicious activities. Any loss of private keys relating to, or hack or other compromise of, digital wallets used to store our digital assets could subject us to significant financial losses, and we may be unable to distribute mining rewards to customers of our mining pool services, or adequately compensate our customers for damages caused by such security breach. As such, any loss of private keys due to a hack, employee or service provider misconduct or error, or other compromise by third parties could hurt our brand and reputation, result in significant losses, and adversely impact our business, results of operations and/or financial condition.

**We may incur significant compliance costs if we are required to register as a money services business under the regulations promulgated by the Financial Crimes Enforcement Network under the authority of the U.S. Bank Secrecy Act, or otherwise under U.S. state laws.**

We are in the process of expanding our cryptocurrency operation into the United States, including completing the Ohio Mining Site. To the extent that our operations in United States cause us to be deemed a money services business under the regulations promulgated by the Financial Crimes Enforcement Network (“FinCEN”) under the authority of the U.S. Bank Secrecy Act, we may be required to comply with FinCEN regulations, including those that would mandate us to implement anti-money laundering programs, make certain reports to FinCEN and maintain certain records. To the extent that our operations cause us to be deemed a “money transmitter” or equivalent designation, under state law in any U.S. state in which we plan to operate, we may be required to seek a license or otherwise register with a state regulator and comply with state regulations that may include the implementation of anti-money laundering programs, maintenance of certain records and other operational requirements. Such additional federal or state regulatory obligations may cause us to incur extraordinary expenses, and may affect an investment in our securities in a materially adverse manner. Furthermore, we and our service providers may not be capable of complying with certain federal or state regulatory obligations applicable to money services businesses and money transmitters. If we are deemed to be subject to and determine not to comply with such additional regulatory and registration requirements, we may have to leave a particular U.S. state or the United States completely. Any such action would be expected to materially adversely affect our operations.

**Because cryptocurrencies may be determined to be investment securities, we may inadvertently violate the Investment Company Act of 1940, as amended, and we may incur substantial losses and become subject to such act as a result.**

We believe that we are not engaged in the business of investing, reinvesting, or trading in securities, and we do not hold ourselves out as being engaged in those activities. However, under the Investment Company Act of 1940, as amended (the “Investment Company Act”), a company may be deemed an investment company under section 3(a)(1)(C) thereof if the value of its investment securities is more than 40% of its total assets (exclusive of government securities and cash items) on an unconsolidated basis. Furthermore, as of the date of this annual report, we have disposed of our lottery-related business in China, and the lottery-related affiliated entities have been deconsolidated and their financial results will no longer be included in our consolidated financial statements for the third quarter of 2021 following the termination of the VIE structures.

As a result of our investments and our cryptocurrency mining activities, including investments in which we do not have a controlling interest, and the disposal of our lottery-related business in China, the investment securities we hold could exceed 40% of our total assets, exclusive of cash items and, accordingly, we could determine that we have become an inadvertent investment company. The cryptocurrency we own, acquire or mine may be deemed an investment security by the SEC, although we do not believe any of the cryptocurrencies we own, acquire or mine are securities.

An inadvertent investment company can avoid being classified as an investment company if it can rely on one of the exclusions under the Investment Company Act. One such exclusion, Rule 3a-2 under the Investment Company Act, allows an inadvertent investment company a grace period of one year from the earlier of (a) the date on which an issuer owns securities and/or cash having a value exceeding 50% of the issuer's total assets on either a consolidated or unconsolidated basis and (b) the date on which an issuer owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of government securities and cash items) on an unconsolidated basis. As of September 30, 2021, we do not believe we are an inadvertent investment company, however this issue has not been resolved by SEC rules or regulations. For us, any grace period would be unknown until further clarifications from or regulations by the SEC concerning cryptocurrency treatment. We may take actions to cause the investment securities held by us to be less than 40% of our total assets, which may include acquiring assets with our cash and cryptocurrency on hand or liquidating our investment securities or cryptocurrency or seeking a no-action letter from the SEC if we are unable to acquire sufficient assets or liquidate sufficient investment securities in a timely manner.

As the Rule 3a-2 exception is available to a company no more than once every three years, and assuming no other exclusion were available to us, we would have to keep within the 40% limit for at least three years after we cease being an inadvertent investment company. This may limit our ability to make certain investments or enter into joint ventures that could otherwise have a positive impact on our earnings. In any event, we do not intend to become an investment company engaged in the business of investing and trading securities.

Current and future legislation and the SEC rulemaking and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which cryptocurrencies are treated for classification and clearing purposes. The SEC's July 25, 2017 Report expressed its view that digital assets may be securities depending on the facts and circumstances. As of the date of this annual report, we are not aware of any rules that have been proposed to regulate cryptocurrencies as securities. We cannot be certain as to how future regulatory developments will impact the treatment of cryptocurrency under the applicable U.S. federal or state laws. Such additional registrations may result in extraordinary, non-recurring expenses, thereby materially and adversely impacting an investment in us. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us.

Classification as an investment company under the Investment Company Act requires registration with the SEC. If an investment company fails to register, it would have to stop doing almost all business, and its contracts would become voidable. Registration is time consuming and restrictive and would require a restructuring of our operations, and we would be very constrained in the kind of business we could do as a registered investment company. Furthermore, we would become subject to substantial regulation concerning management, operations, transactions with affiliated persons and portfolio composition, and would need to file reports under the Investment Company Act regime. The cost of such compliance would result in substantial additional expenses, and the failure to complete the required registration would have a materially adverse impact to conduct our operations. In addition, on May 21, 2021, the Financial Stability and Development Committee of the PRC State Council called for the need to resolutely control financial risks and crack down on cryptocurrency mining and trading activities. As advised by our PRC counsel, JunZeJun Law Offices, the PRC government may take the view that cryptocurrency mining and trading is a form of financial or investment activity, and in the event that we are classified as an investment company under the Investment Company Act, we may face additional regulatory scrutiny from the PRC government.

**We do not maintain insurance for our digital assets, which may expose us and our shareholders to the risk of loss of our digital assets, and there will be limited rights of legal recourse available to us to recover our losses.**

We do not maintain insurance for the digital assets held by us. Banking institutions will not accept our digital assets, and they are therefore not insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. Therefore, we may suffer loss with respect to our digital assets which is not covered by insurance, and we may not be able to recover any of our carried value in these digital assets if they are lost or stolen or suffer significant and sustained reduction in conversion spot price. If we are not otherwise able to recover damages from a malicious actor in connection with these losses, our business, results of operations and share price may be adversely affected.

**A material weakness in our internal control over financial reporting has been identified, and if we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, meet our reporting obligations or prevent fraud.**

We are required to assess the effectiveness of our disclosure controls and procedures and internal control over financial reporting. In addition, our independent registered public accounting firm has conducted an audit of our internal control over financial reporting. As defined in standards established by the United States Public Company Accounting Oversight Board, or the PCAOB, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. In connection with the audit of our consolidated financial statements for the year ended December 31, 2021, we and our independent registered public accounting firm identified a material weakness as of December 31, 2021, in accordance with the standards established by the Public Company Accounting Oversight Board of the United States, or PCAOB.

The material weakness that was identified relates to inadequate maintenance and implementation of controls over the accounting and valuation of certain aspects of business combinations and asset acquisition involving significant estimates.

Following the identification of this material weakness, our management commenced implementation of a remediation plan. For details, see “Item 15. Controls and Procedures — Remediation.” We have implemented and are continuing to implement a number of measures to address the material weakness identified. However, the implementation of these measures may not fully address the material weakness in our internal control over financial reporting. We will continue to update and implement these measures.

In documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs.

Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the NYSE, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

## **Risks Related to Doing Business in China**

**Recent regulatory developments in China may subject us to additional regulatory review and disclosure requirements, expose us to government interference, or otherwise restrict or completely hinder our ability to offer securities and raise capitals outside China, all of which could materially and adversely affect our business, and cause the value of our securities to significantly decline or become worthless.**

As our remaining operations in China primarily involve the provision of administrative supports to our cryptocurrency mining business outside China, as well as internal information technology services to our operating entities and mining pools outside China, we may still be subject to PRC laws relating to, among others, data security and restrictions over foreign investments in value-added telecommunications services and other industry sectors set out in the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Edition). Specifically, we may be subject to PRC laws relating to the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and other data. These PRC laws apply not only to third-party transactions, but also to transfers of information between us and our wholly foreign-owned enterprises in China, and other parties with which we have commercial relations. These PRC laws and their interpretations and enforcement continue to develop and are subject to change, and the PRC government may adopt other rules and restrictions in the future.

The recent regulatory developments in China, in particular with respect to restrictions on China-based companies raising capital offshore, and the government-led cybersecurity reviews of certain companies with VIE structure, may lead to additional regulatory review in China over our financing and capital raising activities in the United States.

Pursuant to the PRC Cybersecurity Law, which was promulgated by the Standing Committee of the National People's Congress on November 7, 2016 and took effect on June 1, 2017, personal information and important data collected and generated by a critical information infrastructure operator in the course of its operations in China must be stored in China, and if a critical information infrastructure operator, as defined by "The Security Protection Regulations for Critical Information Infrastructure," effective September 1, 2021, purchases internet products and services that affect or may affect national security, it should be subject to cybersecurity review by the CAC. The PRC Cybersecurity Law also establishes more stringent requirements applicable to operators of computer networks, especially to operators of networks which involve critical information infrastructure. The PRC Cybersecurity Law contains an overarching framework for regulating Internet security, protection of private and sensitive information, and safeguards for national cyberspace security and provisions for the continued government regulation of the Internet and content available in China. The PRC Cybersecurity Law emphasizes requirements for network products, services, operations and information security, as well as monitoring, early detection, emergency response and reporting. On January 4, 2022, the CAC announced the adoption of the Cybersecurity Review Measures, and effective February 15, 2022, online platforms and network providers possessing personal information of more than one individual million user must undergo a cybersecurity review by the CAC when they seek listing in foreign markets. Furthermore, the Standing Committee of the National People's Congress passed the Personal Information Protection Law of the PRC ("PIPL"), which will become effective from November 1, 2021, and requires general network operators to obtain a personal information protection certification issued by recognized institutions in accordance with the CAC regulation before such information can be transferred out of China.

On July 30, 2021, in response to the recent regulatory developments in China and actions adopted by the PRC government, the Chairman of the SEC issued a statement requesting additional disclosures from offshore issuers with China-based operating companies before their registration statements will be declared effective, including detailed disclosure related to VIE structures and whether the VIE and the issuer, when applicable, received or were denied permission from the PRC authorities to list on U.S. exchanges and the risks that such approval could be denied or rescinded. On August 1, 2021, the CSRC stated in a statement that it had taken note of the new disclosure requirements announced by the SEC regarding the listings of PRC companies and the recent regulatory development in the PRC, and that the securities regulators in both countries should strengthen communications on regulating China-related issuers.

Prior to the disposal of our lottery-related business in China in July 2021, we collected and processed personal, transactional and behavioral data. As of the date of this annual report, we have disposed of our lottery-related business and suspended the operations of our data centers in China, and have migrated our cryptocurrency mining business to international markets. Our remaining operations in China do not involve the processing of any significant amount of personal information. Our PRC legal counsel, JunZeJun Law Offices, has advised us that, in light of the recent changes in our corporate structure and business operations, in particular with respect to the facts that we do not operate online platforms that process personal information of more than one million individual users, and that we have ceased registering new mining pool customers from China and retired accounts of existing mining pool customers from China for our mining pool business, we should not be required to undergo the CAC review for any offering we or the selling shareholders may make under this annual report and any applicable annual report supplement. However, we cannot assure you that the PRC regulatory authorities will not take a contrary view or will not subsequently require us to undergo the approval procedures and subject us to penalties for non-compliance, or that if we are required to obtain such clearance, such clearance can be timely obtained, or at all. If we become subject to cybersecurity inspection and/or review by the CAC or other PRC authorities or are required by them to take any specific actions, it could cause suspension or termination of the future offering of our securities, including offerings under this registration statement and any accompanied annual report supplement, disruptions to our operations, result in negative publicity regarding our company, and divert our managerial and financial resources. We may also be subject to significant fines or other penalties, which could materially and adversely affect our business, financial condition and results of operations. Any actions by the PRC government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in companies having operations in China, such as us, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors, and cause the value of our securities to significantly decline or become worthless.

**Our efforts to adjust our corporate structure and business operations, including the termination of our previous VIE structures and the exit of our mining pool business from China, may not be completed in a liability-free manner, and we may still be subject to cybersecurity review by the CAC, or deemed to be in violation of PRC laws regulating our industry and operations.**

In light of the recent statements by the Chinese government indicating its intention exert more oversight and control over overseas offerings of China-based companies, the CAC review for certain data processing operators in China, and restrictions imposed by the PRC government relating to cryptocurrency mining business, we have adjusted, and may continue to adjust our business operations in the future, to comply with PRC laws regulating our industry and our business operations. However, such efforts may not be completed in a liability-free manner or at all.

Due to restrictions over foreign investment in lottery and IDC services, we previously maintained VIE structure with respect to our lottery-related business in China and certain of our data processing services in connection with our cryptocurrency mining business previously conducted in China. As of the date of this annual report, we have terminated all of our VIE structures with our lottery-related affiliated entities and Zhejiang Keying. Since June 2021, we have also suspended the operations of data centers in China. The lottery-related affiliated entities have been deconsolidated and their financial results have no longer been included in our consolidated financial statements in the third quarter of 2021 since the termination of the VIE structures. The lottery-related affiliated entities contributed US\$1.1 million and US\$0.4 million in 2020 and the three months ended March 31, 2021, accounting for 31.6% and 13.6 % of our total revenue for the periods, respectively. In addition, the lottery-related entities incurred a net loss of US\$9.3 million and US\$0.8 million for 2020 and the three months ended March 31, 2021, respectively. As of March 31, 2021, total assets held by the lottery-related affiliated entities represented US\$14.3 million, or 7.2%, of our total assets, and net debt held by the lottery-related affiliated entities was US\$35.0 million. In October 2021, in light of change in regulatory environment in China, we began to cause our mining pool subsidiary, BTC.com to exit the China market, cease registering new mining pool customers from China and retire the accounts of existing mining pool customers in China in an orderly manner.

We cannot assure you that the disposal of the lottery-related affiliated entities and unwinding of the related VIE structures in China, or the discontinuation of our mining pool operation in China, will not give rise to dispute or liability, or that such disposal, unwinding and discontinuation of operations will not adversely affect our overall results of operations and financial condition. In February 2022, the then subsidiaries of Zhejiang Keying deregistered their respective IDC licenses, and Zhejiang Keying completed the transfer of equity interests of its then subsidiaries to Loto Shenzhen. In the same month, we completed the formal SAIC registration of the disposal of the subsidiaries under the former variable interest entity structure. During the process of disposing of the lottery-related affiliated entities and the unwinding of the related VIE structures in China, including the VIE structure of Zhejiang Keying, and after such process is completed, we cannot guarantee that we will not continue to be subject to PRC regulatory inspection and/or review relating to cybersecurity, especially when there remains significant uncertainty as to the scope and manner of the regulatory enforcement. If we become subject to regulatory inspection and/or review by the CAC or other PRC authorities, or are required by them to take any specific actions, it could cause suspension or termination of the future offering of our securities, disruptions to our operations, result in negative publicity regarding our company, and divert our managerial and financial resources. The discontinuation of operations of BTC.com in China and in particular, the retirement of accounts of existing mining pool customers in China, may give rise to user complaints or dispute claims against us, which could divert a significant amount of managerial attention and other resources from our business and operations, and require us to incur significant expenses. We may also be subject to fines or other penalties, which could materially and adversely affect our business, financial condition, and results of operations.

**Our ADSs could still be delisted from a U.S. exchange and prohibited from being traded over-the-counter in the United States under the HFCA Act if the PCAOB determines in the future that it is unable to fully inspect or investigate our auditor which has a presence in China, and the delisting and cease of trading our ADSs, or the threat of their being delisted or prohibited from being traded, may materially and adversely affect the value of your investment.**

The Holding Foreign Companies Accountable Act was enacted on December 18, 2020. The HFCA Act states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over the counter trading market in the United States.

Our financial statements contained in the annual report on Form 20-F for the year ended December 31, 2021 have been audited by MaloneBailey, LLP, an independent registered public accounting firm that is headquartered in the United States with offices in Beijing and Shenzhen. MaloneBailey, LLP is a firm registered with the PCAOB, and is required by the laws of the U.S. to undergo regular inspections by the PCAOB to assess its compliance with the laws of the U.S. and professional standards. MaloneBailey, LLP has been subject to PCAOB inspections, and is not among the PCAOB-registered public accounting firms headquartered in the PRC or Hong Kong that are subject to PCAOB's determination on December 16, 2021 of having been unable to inspect or investigate completely.

However, our audit work was carried out by MaloneBailey, LLP with the collaboration of its China-based offices. According to Article 177 of the PRC Securities Law (last amended in March 2020), no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities in China. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to overseas parties. Therefore, the audit working papers of our financial statements may not be fully inspected by the PCAOB without the approval of the PRC authorities. Our ADSs could still be delisted and prohibited from being traded over-the-counter under the HFCA Act determines in the future that it is unable to fully inspect or investigate our auditor which has a presence in China.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCA Act. On June 22, 2021, the U.S. Senate passed a bill which, if passed by the U.S. House of Representatives and signed into law, would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCA Act from three years to two. On September 22, 2021, the PCAOB adopted a final rule implementing the HFCA Act, which provides a framework for the PCAOB to determine, as contemplated under the HFCA Act, whether the PCAOB is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. On December 2, 2021, the SEC adopted amendments to finalize the implementation of disclosure and documentation measures, which require us to identify, in our annual report on Form 20-F, (1) the auditors that provided opinions to the financial statements presented in the annual report, (2) the location where the auditors' report was issued, and (3) the PCAOB ID number of the audit firm or branch that performed the audit work. If the SEC determines that we have three consecutive non-inspection years, the SEC will issue stop order to prohibit the trading of our ADSs on any U.S. stock exchange or over-the-counter market.

The PCAOB's inability to conduct inspections in China or Hong Kong prevents it from fully evaluating the audits and quality control procedures of our independent registered public accounting firm. As a result, we and our investors are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors with presence in China makes 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 that are 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. If we fail to meet the new listing standards before the deadline specified thereunder due to factors beyond our control, we could face possible delisting from the NYSE, cessation of trading in over the counter market, deregistration from the SEC and/or other risks, which may materially and adversely affect, or effectively terminate, our ADSs trading in the United States.

**The PRC government has significant and arbitrary influence over companies with China-based operations by enforcing existing rules and regulation, adopting new ones, or changing relevant industrial policies in a manner that may materially increase our compliance cost, abruptly change relevant industry landscape, or cause significant changes to, or otherwise intervene or influence, our remaining operations in China at any time, which could result in material and adverse changes in our operations and cause the value of our securities to significantly decline or become worthless.**

We currently maintain operations in China primarily for the provision of administrative supports to our cryptocurrency mining business outside China, as well as the provision of internal information technology services to our operating entities and mining pools outside China. The PRC government has significant and arbitrary influence over China-based operations of any company by allocating resources, providing preferential treatment to particular industries or companies, or imposing industry-wide policies on certain industries. The PRC government may also amend or enforce existing rules and regulation, or adopt ones, which could materially increase our compliance cost, abruptly change the relevant industry landscape, or cause significant changes to, or otherwise intervene or influence, our remaining operations in China at any time. In addition, the PRC regulatory system is based in part on government policies and internal guidance, some of which are not published on a timely basis or at all, and some of which may even have a retroactive effect. We may not be aware of all non-compliance incidents at all time, and may face regulatory investigation, fines and other penalties as a result. As a result of the changes in the industrial policies of the PRC government, including the amendment to and/or enforcement of the related laws and regulations, companies with China-based operations, including us, and the industries in which we operate, face significant compliance and operational risks and uncertainties. For example, on July 24, 2021, Chinese state media, including Xinhua News Agency and China Central Television, announced a broad set of reforms targeting private education companies providing after-school tutoring services and prohibiting foreign investments in institutions providing such after-school tutoring services. As a result, the market value of certain U.S. listed companies with China-based operations in the affected sectors declined substantially. On August 30, 2021, the PRC government imposed restrictions over the provision of online gaming services to minors, aiming at curbing excessive indulgence in online gaming and protecting minors' mental and physical health, which could adversely affect the development of the online gaming industry in China. The PRC government has also imposed severe restrictions over the operations of cryptocurrency business, which changed the entire industry landscape in China. See “—It may be or become illegal to acquire, own, hold, sell or use cryptocurrencies, participate in the blockchain, or transfer or utilize similar cryptocurrency assets in China or international markets where we operate due to adverse changes in the regulatory and policy environment in these jurisdictions.” In addition, the National Development and Reform Commission of China may classify cryptocurrency mining operations as an industry to be eliminated. We have adopted a development strategy to focus on expansion of our blockchain and cryptocurrency mining operations in international markets, and have adjusted our business operations in China, including the termination of the operations of our data centers in China. As of the date of this annual report, we are not aware of any similar regulations that may be adopted to significantly curtail our remaining non-revenue generating operations in China. However, if such other adverse regulations or policies are adopted in China, our remaining operations in China will be materially and adversely affected, and we may have to cease our administrative supports and internal information technology services from China to our international cryptocurrency mining business, and relocate our offices and certain assets to international markets outside China, which may significantly disrupt our international operations and adversely affect our business, financial condition and results of operations.

**PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries.**

We are an offshore holding company incorporated in the Cayman Islands, with limited operations in China. To the extent necessary, we may make loans to our PRC subsidiaries subject to the approval, registration, and filing with governmental authorities and limitation of amount, or we may make additional capital contributions to our wholly foreign-owned subsidiaries in China. Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to foreign exchange loan registrations with the National Development and Reform Commission, or the NDRC, and SAFE or its local branches. In addition, a foreign invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign invested enterprise shall not be used for the following purposes: (1) direct or indirect use for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (2) direct or indirect use for investment in securities or investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (3) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (4) the payment of the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals or filings on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds from any offering of our securities under this registration statement and any accompanied annual report supplement, and capitalize or otherwise fund our PRC operations may be negatively affected.

**We have changed our business model a few times during the last few years, which makes it difficult to evaluate our business.**

In recent years, we have begun new lines of businesses and suspended or disposed of existing lines of businesses. Since announcing our entry into the cryptocurrency industry in December 2020, we have entered into definitive agreements to (i) purchase cryptocurrency mining machines, (ii) acquire a controlling stake in Loto Interactive Limited (HKEX: 08198), (iii) acquire the entire mining pool business of Bitdeer Technologies Holding Company operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com, (iv) acquire a 7-nanometer mining machine manufacturer to unfurl a comprehensive approach to cryptocurrency mining, and (v) jointly invest in the development of a cryptocurrency mining data center in Ohio with power capacity of 150 megawatts in aggregate.

Many of our business lines are relatively new business models in an emerging and rapidly evolving market. This makes it difficult for you to evaluate our business, financial performance and prospects, and our historical growth rate may not be indicative of our future performance. We may not be able to realize our profit expectations when we began to offer any of these new lines of businesses. You should consider our prospects in light of the risks and uncertainties that fast-growing companies in a rapidly evolving market may encounter.



**The ongoing COVID-19 pandemic could materially and adversely affect our business, results of operations and financial condition.**

Beginning in early 2020, there was an outbreak of a novel strain of coronavirus, later named COVID-19, in China. In March 2020, the World Health Organization declared COVID-19 to be a pandemic. As part of intensified efforts to contain the spread of COVID-19, governments around the world have asked residents to remain at home, to avoid public gatherings, and/or have issued shelter-in-place orders or imposed lockdowns, among other actions. COVID-19 has resulted in temporary closures of many corporate offices, retail stores, and manufacturing facilities and factories. Our business could be adversely impacted by the effects of COVID-19 or other pandemics or epidemics. The Company's corporate headquarters and operations are currently located in Hong Kong, where any outbreak of contagious diseases and other adverse public health developments could be materially adverse on the Company's business operations. The Company's operations could be negatively affected if employees, users and third-party merchants are quarantined as a result of exposure to a contagious illness. COVID-19 could further adversely impact the Company's operations in Hong Kong, the United States, and Kazakhstan and could have an adverse impact on the Company's business, results of operations and financial condition. In 2021, COVID-19 negatively impacted logistics relating to the Company's construction of its mine site in Ohio and caused a delay in the construction schedule. This and similar issues may continue to be caused by COVID-19, its Omicron variant, as well as any other highly transmissible variants or strains of the virus, any of which could have an adverse impact on the Company's business, results of operations and financial condition.

Our results of operations could be also adversely affected to the extent that this pandemic harms the global economy in general. Any economic slowdown worldwide due to COVID-19 may result in a shortage of available credit and insufficient funds for future growth, and we may not be able to raise capital or obtain financing from banks or other financial institutions. If we were unable to obtain financing to meet our needs, our business, operations and prospects and our ability to maintain or increase our revenue may suffer materially. This, in turn, could have a material adverse effect on our results of operations and financial condition.

The extent to which COVID-19 impacts our business, results of operations and financial condition will depend on ongoing and future developments, including new information concerning its global severity, new regulations and policies adopted and actions taken in response, all of which are highly uncertain and unpredictable.

**Implementation of new lines of business may not yield desirable profits or improve our results of operations.**

From time to time, we may implement new lines of business or offer new products and product enhancements as well as new services within our existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly when considering the market is not fully developed. In developing these new lines of business or services, we may invest significant time and resources. Initial timetables for the introduction and development of these lines of business and services may not be achieved and profitability targets may not prove feasible. External factors, such as compliance with regulations, competition and shifting market preferences, may also impact the successful implementation of these new lines business or services. Our personnel and technology systems may fail to adapt to the changes in these new lines of business or we may fail to effectively integrate new services into our existing operations. In addition, we may be unable to compete effectively due to the different competitive landscape in the new areas of business. Furthermore, these lines of business could have a significant impact on the effectiveness of our internal control system. Failure to successfully manage these risks in the development and implementation of these lines of business and services could have a material adverse effect on our business, results of operations and financial condition.

**The success of our business depends on our ability to maintain and enhance our reputation and brand.**

We have developed our reputation and established a leading position by providing our users with what we believe are superior and trustworthy services. We have conducted, and may continue to conduct, various marketing and brand promotion activities. We cannot assure you, however, that these activities will be successful and achieve the brand promotion and activity enhancement goals we expected. In addition, any negative publicity in relation to our services or products, regardless of its veracity, could harm our brand image and, in turn, have adverse effects on our user loyalty and stickiness, or result in a reduction in the number of our users. For example, we are aware of certain complaints against our websites on a number of online forums with regard to purchase order processing and prize collections. Even though the allegations made in such complaints were not factually proven or the amounts in issue were diminutive, such complaints can nonetheless have a detrimental effect on our reputation. If we fail to maintain and enhance our reputation and brand, or if we incur excessive expenses in our efforts to do so, our business, financial condition and results of operations may be materially and adversely affected.

**We depend on the technology and advanced information system, which may fail or be subject to disruption.**

We are dependent on our IT systems for handling purchase orders, and the efficiency and reliability of our systems are in turn dependent on the functionality and stability of the underlying technical infrastructure. The functionality of the servers used by us and the related hardware and software infrastructure are of considerable significance to our business, our reputation and our ability to attract business partners and users. Our IT systems may be damaged or interrupted by increases in usage, human errors, unauthorized access, destruction of hardware, power cuts not covered by backup facilities, system crashes, software problems, virus attacks, natural hazards or disasters, or similar disruptions or disruptive events. Furthermore, our current IT systems may be unable to support a significant increase in online traffic or an increased number of users, whether as a result of organic or inorganic growth of the business. We have in place business continuity procedures, disaster recovery systems and security measures to protect against network or technical failures or disruptions. Despite such procedures, failures in computer processing and weakness in the existing software and hardware cannot be entirely prevented or eliminated. Any failure of our IT system and infrastructure could lead to significant costs and disruptions that could reduce our revenues, harm our reputation and have a material adverse effect on our operations.

In addition, we rely on bandwidth providers, communications carriers, data centers and other third parties for key aspects of the process in providing services to our users. Any failure or interruption in the services and products provided by these third parties could limit our ability to operate certain of our businesses, which could in turn have a material adverse effect on our business and financial condition.

**We are exposed to contractual claims by third parties arising from regulatory actions, which could damage our reputation and results of operations.**

We have entered into various service, online payment and advertisement agreements with a number of third parties. Many of these agreements contain warranties, indemnities and termination provisions in which we have made representations and warranties to the counterparties as to the legitimacy of our operations and our compliance with relevant laws and regulations. If a claim or regulatory action is brought against our counterparties alleging that our historical business conduct breached such provisions on which our counterparties have relied, whether as a result of judicial proceedings or a change of law or otherwise, we may face material claims or regulatory actions and may owe damages to the relevant third parties. We may also remain liable for any outstanding fees payable to the counterparty of an agreement which has been terminated.

**Future strategic acquisitions may have a material adverse effect on our business, reputation and results of operations.**

We may acquire additional assets, products, technologies or businesses that are complementary to our existing business if we are presented with appropriate opportunities. Future acquisitions and subsequent integration of newly acquired assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the cost of identifying and consummating acquisitions may be significant.

**We may fail to detect fraudulent activities of our users or employees.**

Online transactions may be subject to sophisticated schemes or collusion to defraud or other illegal activities, and there is a risk that our platform may be used for those purposes either by our users or our employees. While we intended to continue our efforts to protect our business and our users from such illegal activities, including a user identity verifying system and pre-payment procedures to protect against fictitious transactions, the controls and procedures we have implemented may not be effective in all cases. Failure to protect our operations and our users from fraudulent activity either by other users or our employees could result in reputational damage to us and could materially and adversely affect our results of operations.

**Failure to adequately protect user account information could have a material adverse effect on us.**

We process our users' personal data (including name, address, age, bank details and transaction history) as part of our business and therefore must comply with data protection laws in China. Data protection laws restrict our ability to collect and use personal information relating to our users and potential users. Notwithstanding our IT and data security and other systems, we may not be effective in detecting any intrusion or other security breaches, or safeguarding against sabotage, hackers, viruses and cybercrime. We are exposed to the risk that personal data could be wrongfully accessed and/or used, whether by employees, users or other third parties, or otherwise lost or disclosed or processed in breach of data protection laws. If we or any of the third-party service providers whom we rely on fail to transmit user information and payment details online in a secure manner or if any such theft or loss of personal user data were to otherwise occur, it could subject us to liabilities under the data protection laws or result in the loss of the goodwill of our users.

**We are a “controlled company” within the meaning of the NYSE Listed Company Manual.**

As of the date of this annual report, Mr. Man San Vincent Law, our founder and executive director, owns 55.3% of the voting power of our company. As long as Mr. Law owns at least 50% of the voting power of our company, we will be a “controlled company” as defined under the NYSE Listed Company Manual. For so long as we remain a controlled company under that definition, we are permitted to elect to rely on certain exemptions from corporate governance rules, including an exemption from the rule that a majority of our board of directors must be independent directors, although we have no current intention to rely on the controlled company exemption. As a result, you may not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

**We have no insurance coverage against business interruptions.**

We do not have any business interruption insurance. We have no insurance for the cryptocurrency mining machines in our internet data centers. Any business disruption or natural disaster that affects our data centers and mining machines could result in us incurring substantial costs, including costs to repair our data centers or acquire new mining machines, and a diversion of our resources away from our business, which would have a material adverse effect on our business and results of operations.

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

We believe our trademarks, software, technology know-how and other intellectual property provide competitive advantages to us, which are important to our achievements to date and our future success. We have invested significant resources to develop our brand name and domain name, “BTC.com”, which is an important asset to us. We cannot assure you that steps taken to protect our intellectual property rights will be sufficient to prevent infringement of our intellectual property rights. If we fail to adequately protect our intellectual property rights, including our rights in our trademarks and know-how, it could have a material adverse effect on our operations.

The validity, enforceability and scope of protection available under intellectual property laws with respect to the Internet industry in China are uncertain and evolving. Implementation and enforcement of PRC intellectual property-related laws have historically been deficient and ineffective. Accordingly, protection of intellectual property rights in China may not be as effective as in the United States or other western countries. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive, and we may need to resort to litigation to enforce or defend our copyrights or other intellectual property rights or to determine the enforceability, scope and validity of our proprietary rights or those of others. Such litigation and any adverse determination thereof could result in substantial costs and diversion of resources and management attention away from our business.

**We rely on our senior management and key employees.**

Our success is dependent upon the expertise and continued service of our senior management and other key personnel. Most of our senior management team members have 20 years of experience in information technology or Internet-related industries. They are crucial to our smooth operation and continued innovation. In addition, we rely on a limited number of specialized staff members in certain areas of our IT operations where we do not receive support from external service providers. Furthermore, our ability to expand our operations to accommodate our anticipated growth will also depend on our ability to attract and retain additional personnel such as qualified risk managers, finance, management, marketing, technical and other personnel. Competition for these employees is intense due to the limited number of qualified personnel. It may be difficult for us to manage our business and meet our objectives if we fail to attract and retain such personnel and our results of operations or financial condition may be adversely affected.

**We are dependent on external service providers with respect to payment and settlement processing, and the provision of faulty services by these providers could lead to financial loss and damage to our reputation.**

We are dependent on cooperation with external service providers with specialist knowledge and technology for processing orders. This includes, among other things, data and voice communication, procurement, installation, further development, maintenance and servicing of hardware and software, server housing and payment processing. It is possible that one or more of the external service providers do not perform the services, or that they do not perform them in a timely and accurate manner. It is therefore possible that, due to failures or omissions by the external service providers that we have engaged, we will not be in a position to perform our own services faultlessly or on time. This could lead to revenue losses, liability for damage, and substantial damage to our reputation.

**Our quarterly revenues and operating results may fluctuate, which makes our results of operations difficult to predict and may cause our quarterly results of operations to fall short of expectations.**

Our quarterly revenues and operating results have fluctuated in the past and may continue to fluctuate depending upon a number of factors, many of which are out of our control. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual revenues and costs and expenses as a percentage of our revenues may be significantly different from our historical or projected rates. Our operating results in future quarters may fall below expectations. Any of these events could cause the price of our ADSs to fall. Other factors that may affect our financial results include, among others:

- changes in government policies or regulations, or their enforcement;
- economic conditions in worldwide; and
- geopolitical events or natural disasters such as war, threat of war, earthquake or epidemics.

**The ability of U.S. authorities to bring actions for violations of U.S. securities law and regulations against us, our directors, executive officers or the expert named in this annual report may be limited and therefore you may not be afforded the same protection as provided to investors in U.S. domestic companies.**

The Securities and Exchange Commission, or the Commission or the SEC, U.S. Department of Justice, or the DOJ, and other authorities often have substantial difficulties in bringing and enforcing actions against non-U.S. companies such as us, and non-U.S. persons, such as our directors and executive officers in China. Due to jurisdictional limitations, matters of comity and various other factors, the SEC, DOJ and other U.S. authorities may be limited in their ability to pursue bad actors, including in instances of fraud, in emerging markets such as China. Most of our operations are conducted, and most of our assets are located, outside China; however, some of our directors and executive officers reside within China. There are significant legal and other obstacles for U.S. authorities to obtain information needed for investigations or litigation against us or our directors, executive officers or other gatekeepers in case we or any of these individuals engage in fraud or other wrongdoing. In addition, local authorities in China may be constrained in their ability to assist U.S. authorities and overseas investors more generally. As a result, if we have any material disclosure violation or if our directors, executive officers or other gatekeepers commit any fraud or other financial misconduct, the U.S. authorities may not be able to conduct effective investigations or bring and enforce actions against us, our directors, executive officers or other gatekeepers. Therefore, you may not be able to enjoy the same protection provided by various U.S. authorities as it is provided to investors in U.S. domestic companies.

**Our grant of employee share options, restricted shares or other share-based compensation and any future grants could have an adverse effect on our net income.**

U.S. GAAP prescribes how we account for share-based compensation and may have an adverse impact on our results of operations or the price of our ADSs. U.S. GAAP requires us to recognize share-based compensation as compensation expense in the consolidated statement of comprehensive income generally based on the fair value of equity awards on the date of the grant, with compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. The expenses associated with share-based compensation may reduce the attractiveness of issuing share options or restricted shares under our equity incentive plan. However, if we do not grant share options or restricted shares, or reduce the number of share options or restricted shares we grant, we may not be able to attract and retain key personnel. If we grant more share options or restricted shares to attract and retain key personnel, the expenses associated with share-based compensation may adversely affect our net income.

**We could be adversely affected by political tensions between the United States and China.**

Political tensions between the United States and China have escalated in recent years due to, among other things, the trade war between the two countries since 2018, the COVID-19 outbreak, the PRC National People's Congress' passage of Hong Kong national security legislation, the imposition of U.S. sanctions on certain Chinese officials from China's central government and the Hong Kong Special Administrative Region by the U.S. government, and the imposition of sanctions on certain individuals from the U.S. by the Chinese government, various executive orders issued by former U.S. President Donald J. Trump, such as the one issued in August 2020 that prohibits certain transactions with ByteDance Ltd., Tencent Holdings Ltd. and the respective subsidiaries of such companies, the executive order issued in November 2020 that prohibits U.S. persons from transacting publicly traded securities of certain "Communist Chinese military companies" named in such executive order, as well as the executive order issued in January 2021 that prohibits such transactions as are identified by the U.S. Secretary of Commerce with certain "Chinese connected software applications," including Alipay and WeChat Pay, as well as the Measures for Blocking Improper Extraterritorial Application of Foreign Laws and Measures promulgated by China's Ministry of Commerce, or MOFCOM, on January 9, 2021, which will apply to Chinese individuals or entities that are purportedly barred or restricted by a foreign country's law from dealing with nationals or entities of a third country. Rising political tensions between China and the U.S. could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. The measures taken by the U.S. and Chinese governments may have the effect of restricting our ability to transact or otherwise do business with entities within or outside of China and may cause investors to lose confidence in Chinese companies and counterparties, including us. If we were unable to conduct our business as it is currently conducted as a result of such regulatory changes, our business, results of operations and financial condition would be materially and adversely affected.

Furthermore, there have been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets, and delisting China-based companies from U.S. national securities exchanges. In January 2021, after reversing its own delisting decision, the NYSE ultimately resolved to delist China Mobile, China Unicom and China Telecom in compliance with the executive order issued in November 2020, after receiving additional guidance from the U.S. Department of Treasury and its Office of Foreign Assets Control. These delistings have introduced greater confusion and uncertainty about the status and prospects of Chinese companies listed on the U.S. stock exchanges. If any further such deliberations were to materialize, the resulting legislation may have a material and adverse impact on the stock performance of China-based issuers listed in the United States such as us, and we cannot assure you that we will always be able to maintain the listing of our ADSs on a national stock exchange in the U.S., such as the NYSE or the Nasdaq Stock Market, or that you will always be allowed to trade our shares or ADSs.

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

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

**We have an evolving business model which is subject to various uncertainties.**

Since announcing our entry into the cryptocurrency industry in December 2020, we have entered into definitive agreements to (i) purchase cryptocurrency mining machines, (ii) acquire a controlling stake in Loto Interactive Limited (HKEX: 08198), (iii) acquire the entire mining pool business of Bitdeer Technologies Holding Company operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com, (iv) acquire a 7-nanometer mining machine manufacturer, to unfurl a comprehensive approach to cryptocurrency mining, and (v) jointly invest in the development of a cryptocurrency mining data center in Ohio with power capacity of 150 megawatts in aggregate. As cryptocurrency assets and blockchain technologies become more widely available, we expect the services and products associated with them to evolve. In order to stay current with the industry, our business model may need to continue to evolve as well. From time to time, we may modify aspects of our business model relating to our strategy. There can be no assurance that these or any other modifications will be successful or will not result in harm to our business. We may not be able to manage growth effectively, which could damage our reputation, limit our growth and negatively affect our operating results. Further, we cannot provide any assurance that we will successfully identify all emerging trends and growth opportunities in this business sector and we may lose out on those opportunities. Such circumstances could have a material adverse effect on our business, prospects or operations.

**We may acquire other businesses, form joint ventures or acquire other companies or businesses that could negatively affect our operating results, dilute our shareholders' ownership, increase our debt or cause us to incur significant expense; notwithstanding the foregoing, our growth may depend on our success in uncovering and completing such transactions.**

We have been and will continue to actively consider strategic opportunities, particularly in the field of blockchain and cryptocurrency; however, there can be no assurance that acquisitions of businesses, assets and/or entering into strategic alliances or joint ventures will be successful. We may not be able to find suitable partners or acquisition candidates and may not be able to complete such transactions on favorable terms, if at all. If we make any acquisitions, we may not be able to integrate these acquisitions successfully into the existing business and could assume unknown or contingent liabilities. Furthermore, most potential partners and acquisition candidates in the field of blockchain and cryptocurrency have a short operating history and an evolving business model, which heighten the risks to us and may reduce the likelihood that any such partnership or acquisition will be successful.

Any future acquisitions also could result in the issuance of ordinary shares, incurrence of debt, contingent liabilities or future write-offs of intangible assets or goodwill, any of which could have a negative impact on our cash flows, financial condition and results of operations. Integration of an acquired company may also disrupt ongoing operations and require management resources that otherwise would be focused on developing and expanding our existing business. We may experience losses related to potential investments in other companies, which could harm our financial condition and results of operations. Further, we may not realize the anticipated benefits of any acquisition, strategic alliance or joint venture if such investments do not materialize.

To finance any acquisitions or joint ventures, we may choose to issue shares of ordinary shares, preferred shares or a combination of debt and equity as consideration, which could significantly dilute the ownership of our existing shareholders or provide rights to such preferred shareholders in priority over holders of our ordinary shares. Additional funds may not be available on terms that are favorable to us, or at all. If the price of our ADSs is low or volatile, we may not be able to acquire other companies or fund a joint venture project using ordinary shares as consideration.

**We may not be able to compete with other companies, some of whom have greater resources and experience.**

We may not be able to compete successfully against present or future competitors. We do not have the resources to compete with larger providers of similar services at this time. The cryptocurrency industry has attracted various high-profile and well-established operators, some of which have substantially greater liquidity and financial resources than we do. With the limited resources we have available, we may experience great difficulties in expanding and improving our network of computers to remain competitive. Competition from existing and future competitors could result in our inability to secure acquisitions and partnerships that we may need to expand our business in the future. This competition from other entities with greater resources, experience and reputations may result in our failure to maintain or expand our business, as we may never be able to successfully execute our business plan. If we are unable to expand and remain competitive, our business could be negatively affected which would have an adverse effect on the trading price of our ADSs, which would harm investors in our company.

**Because cryptocurrencies may be determined to be investment securities, we may inadvertently violate the Investment Company Act and incur large losses as a result and potentially be required to register as an investment company or terminate operations and we may incur third party liabilities.**

We believe that we are not engaged in the business of investing, reinvesting, or trading in securities, and we do not hold ourselves out as being engaged in those activities. However, under the Investment Company Act a company may be deemed an investment company under section 3(a)(1)(C) thereof if the value of its investment securities is more than 40% of its total assets (exclusive of government securities and cash items) on an unconsolidated basis.

As a result of our investments and our mining activities, including investments in which we do not have a controlling interest, the investment securities we hold could exceed 40% of our total assets, exclusive of cash items and, accordingly, we could determine that we have become an inadvertent investment company. The cryptocurrency we own, acquire or mine may be deemed an investment security by the SEC, although we do not believe any of the cryptocurrencies we own, acquire or mine are securities. An inadvertent investment company can avoid being classified as an investment company if it can rely on one of the exclusions under the Investment Company Act. One such exclusion, Rule 3a-2 under the Investment Company Act, allows an inadvertent investment company a grace period of one year from the earlier of (a) the date on which an issuer owns securities and/or cash having a value exceeding 50% of the issuer's total assets on either a consolidated or unconsolidated basis and (b) the date on which an issuer owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of government securities and cash items) on an unconsolidated basis. As of December 31, 2020, we do not believe we are an inadvertent investment company, however this issue has not been resolved by SEC rules or regulations. For us, any grace period would be unknown until these issues are resolved or the SEC issues rules and regulations concerning cryptocurrency treatment. We may take actions to cause the investment securities held by us to be less than 40% of our total assets, which may include acquiring assets with our cash and cryptocurrency on hand or liquidating our investment securities or cryptocurrency or seeking a no-action letter from the SEC if we are unable to acquire sufficient assets or liquidate sufficient investment securities in a timely manner.

As the Rule 3a-2 exception is available to a company no more than once every three years, and assuming no other exclusion were available to us, we would have to keep within the 40% limit for at least three years after we cease being an inadvertent investment company. This may limit our ability to make certain investments or enter into joint ventures that could otherwise have a positive impact on our earnings. In any event, we do not intend to become an investment company engaged in the business of investing and trading securities.

Classification as an investment company under the Investment Company Act requires registration with the SEC. If an investment company fails to register, it would have to stop doing almost all business, and its contracts would become voidable. Registration is time consuming and restrictive and would require a restructuring of our operations, and we would be very constrained in the kind of business we could do as a registered investment company. Further, we would become subject to substantial regulation concerning management, operations, transactions with affiliated persons and portfolio composition, and would need to file reports under the Investment Company Act regime. The cost of such compliance would result in the Company incurring substantial additional expenses, and the failure to register if required would have a materially adverse impact to conduct our operations.

**If regulatory changes or interpretations require the regulation of bitcoins under the Securities Act and Investment Company Act by the SEC, we may be required to register and comply with such regulations. To the extent that we decide to continue operations, the required registrations and regulatory compliance steps may result in extraordinary, non-recurring expenses to us. We may also decide to cease certain operations. Any disruption of our operations in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors. This would likely have a material adverse effect on us and investors may lose their investment.**

Current and future legislation and the SEC rulemaking and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which bitcoins are treated for classification and clearing purposes. The SEC's July 25, 2017 Report expressed its view that digital assets may be securities depending on the facts and circumstances. As of the date of this annual report, we are not aware of any rules that have been proposed to regulate bitcoins as securities. We cannot be certain as to how future regulatory developments will impact the treatment of bitcoins under the law. Such additional registrations may result in extraordinary, non-recurring expenses, thereby materially and adversely impacting an investment in us. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us.

To the extent that digital assets including ether, bitcoins and other digital assets we may own are deemed by the SEC to fall within the definition of a security, we may be required to register and comply with additional regulation under the Investment Company Act, including additional periodic reporting and disclosure standards and requirements and the registration of our Company as an investment company. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease all or certain parts of our operations. Any such action would likely adversely affect an investment in us and investors may suffer a complete loss of their investment.

### **Cryptocurrency-Related Risks**

**Regulatory changes or actions may alter the nature of an investment in us or restrict the use of cryptocurrencies in a manner that adversely affects our business, prospects or operations.**

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies; certain governments have deemed them illegal, and others have allowed their use and trade without restriction, while in some jurisdictions, such as in the U.S., subject to extensive, and in some cases overlapping, unclear and evolving regulatory requirements. Ongoing and future regulatory actions may impact our ability to continue to operate, and such actions could affect our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations.

**The development and acceptance of cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.**

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete transactions, is part of a new and rapidly evolving industry that employs cryptocurrency assets based upon a computer-generated mathematical and/or cryptographic protocol. Large-scale acceptance of cryptocurrencies as a means of payment has not, and may never, occur. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may occur unpredictably. The factors include, but are not limited to:

- continued worldwide growth in the adoption and use of cryptocurrencies as a medium to exchange;
- governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the network;
- the increased consolidation of contributors to the bitcoin blockchain through mining pools;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- the use of the networks supporting cryptocurrencies for developing smart contracts and distributed applications;
- general economic conditions and the regulatory environment relating to cryptocurrencies;
- political stability of the jurisdictions where we house and operate our cryptocurrency mining machines, as any instability or unrest could lead to damage to our assets or disruption to our operations; and
- negative consumer sentiment and perception of bitcoin specifically and cryptocurrencies generally.



The outcome of these factors could have negative effects on our ability to continue as a going concern or to pursue our business strategy at all, which could have a material adverse effect on our business, prospects or operations as well as potentially negative effect on the value of any bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account, which would harm investors in our securities.

**Banks and financial institutions may not provide banking services, or may cut off services, to businesses that engage in cryptocurrency-related activities or that accept cryptocurrencies as payment, including financial institutions of investors in our securities.**

A number of companies that engage in bitcoin and/or other cryptocurrency-related activities have been unable to find banks or financial institutions that are willing to provide them with bank accounts and other services. Similarly, a number of companies and individuals or businesses associated with cryptocurrencies may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions in response to government action, particularly in China, where regulatory response to cryptocurrencies has been to exclude their use for ordinary consumer transactions within China. We also may be unable to obtain or maintain these services for our business. The difficulty that many businesses that provide bitcoin and/or derivatives on other cryptocurrency-related activities have and may continue to have in finding banks and financial institutions willing to provide them services may be decreasing the usefulness of cryptocurrencies as a payment system and harming public perception of cryptocurrencies, and could decrease their usefulness and harm their public perception in the future.

The usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks or financial institutions were to close the accounts of businesses engaging in bitcoin and/or other cryptocurrency-related activities. This could occur as a result of compliance risk, cost, government regulation or public pressure. The risk applies to securities firms, clearance and settlement firms, national stock and derivatives on commodities exchanges, the over-the-counter market, and the Depository Trust Company, which, if any of such entities adopts or implements similar policies, rules or regulations, could negatively affect our relationships with financial institutions and impede our ability to convert cryptocurrencies to fiat currencies. Such factors could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and harm investors.

**We may face risks of Internet disruptions, which could have an adverse effect on the price of cryptocurrencies.**

A disruption of the Internet may affect the use of cryptocurrencies and subsequently the value of our securities. Generally, cryptocurrencies and our business of mining cryptocurrencies is dependent upon the Internet. A significant disruption in Internet connectivity could disrupt a currency's network operations until the disruption is resolved and have an adverse effect on the price of cryptocurrencies and our ability to mine cryptocurrencies.

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

The digital asset exchanges on which the digital assets trade are new and, in most cases, largely unregulated. Furthermore, many digital asset exchanges (including several of the most prominent USD denominated digital asset exchanges) do not provide the public with significant information regarding their ownership structure, management teams, corporate practices or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, digital asset exchanges, including prominent exchanges handling a significant portion of the volume of digital asset trading.

For example, over the past four years, a number of bitcoin exchanges have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such bitcoin exchanges were not compensated or made whole for the partial or complete losses of their account balances in such bitcoin exchanges. While smaller bitcoin exchanges are less likely to have the infrastructure and capitalization that make larger bitcoin exchanges more stable, larger bitcoin exchanges are more likely to be appealing targets for hackers and “malware” (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems). Further, the collapse of the largest bitcoin exchange in 2014 suggests that the failure of one component of the overall bitcoin ecosystem can have consequences for both users of a bitcoin exchange and the bitcoin industry as a whole.

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

**The impact of geopolitical and economic events on the supply and demand for cryptocurrencies is uncertain.**

Geopolitical crises may motivate large-scale purchases of bitcoin and other cryptocurrencies, which could increase the price of bitcoin and other cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior dissipates, adversely affecting the value of our inventory following such downward adjustment. Such risks are similar to the risks of purchasing commodities in general uncertain times, such as the risk of purchasing, holding or selling gold. Alternatively, as an emerging asset class with limited acceptance as a payment system or commodity, global crises and general economic downturn may discourage investment in cryptocurrencies as investors focus their investment on less volatile asset classes as a means of hedging their investment risk.

As an alternative to fiat currencies that are backed by central governments, cryptocurrencies, which are relatively new, are subject to supply and demand forces. How such supply and demand will be impacted by geopolitical events is largely uncertain but could be harmful to us and investors in our ADSs. Political or economic crises may motivate large-scale acquisitions or sales of cryptocurrencies either globally or locally. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or any other cryptocurrencies we mine or otherwise acquire or hold for our own account.

**Acceptance and/or widespread use of cryptocurrency is uncertain.**

Currently, there is a relatively limited use of any cryptocurrency in the retail and commercial marketplace, thus contributing to price volatility that could adversely affect an investment in our securities. Banks and other established financial institutions may refuse to process funds for cryptocurrency transactions, process wire transfers to or from cryptocurrency exchanges, cryptocurrency-related companies or service providers, or maintain accounts for persons or entities transacting in cryptocurrency. Conversely, a significant portion of cryptocurrency demand is generated by investors seeking a long-term store of value or speculators seeking to profit from the short- or long-term holding of the asset. Price volatility undermines any cryptocurrency’s role as a medium of exchange, as retailers are much less likely to accept it as a form of payment. Market capitalization for a cryptocurrency as a medium of exchange and payment method may always be low.

The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace, or a reduction of such use, limits the ability of end users to use them to pay for goods and services. Such lack of acceptance or decline in acceptances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of bitcoin or any other cryptocurrencies we mine or otherwise acquire or hold for our own account.

**Transactional fees may decrease demand for bitcoin and prevent expansion.**

As the number of bitcoins currency rewards awarded for solving a block in a blockchain decreases, the incentive for mining machines to continue to contribute to the bitcoin network may transition from a set reward to transaction fees.

In order to incentivize mining machines to continue to contribute to the bitcoin network, the bitcoin network may either formally or informally transition from a set reward to transaction fees earned upon solving a block. This transition could be accomplished by mining machines independently electing to record in the blocks they solve only those transactions that include payment of a transaction fee. If transaction fees paid for bitcoin transactions become too high, the marketplace may be reluctant to accept bitcoin as a means of payment and existing users may be motivated to switch from bitcoin to another cryptocurrency or to fiat currency. Either the requirement from mining machines of higher transaction fees in exchange for recording transactions in a blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for bitcoin and prevent the expansion of the bitcoin network to retail merchants and commercial businesses, resulting in a reduction in the price of bitcoin that could adversely impact an investment in our securities. Decreased use and demand for bitcoin may adversely affect its value and result in a reduction in the price of bitcoin and the value of our ADSs.

**The decentralized nature of cryptocurrency systems may lead to slow or inadequate responses to crises, which may negatively affect our business.**

The decentralized nature of the governance of cryptocurrency systems may lead to ineffective decision making that slows development or prevents a network from overcoming emergent obstacles. Governance of many cryptocurrency systems is by voluntary consensus and open competition with no clear leadership structure or authority. To the extent lack of clarity in corporate governance of cryptocurrency systems leads to ineffective decision making that slows development and growth of such cryptocurrencies, the value of our ADSs may be adversely affected.

**It may be illegal now, or in the future, to mine for, acquire, own, hold, sell or use bitcoin, ether, or other cryptocurrencies, participate in blockchains or utilize similar cryptocurrency assets in one or more countries, the ruling of which would adversely affect us.**

Although currently cryptocurrencies generally are not regulated or are lightly regulated in most countries, one or more countries such as China and Russia, which have taken harsh regulatory action in recent months, may take regulatory actions in the future that could severely restrict the right to mine for, acquire, own, hold, sell or use these cryptocurrency assets or to exchange for fiat currency. In many nations, particularly in China and Russia, it is illegal to accept payment in bitcoin and other cryptocurrencies for consumer transactions and banking institutions are barred from accepting deposits of cryptocurrencies. Such restrictions may adversely affect us as the large-scale use of cryptocurrencies as a means of exchange is presently confined to certain regions globally. In addition, mining for bitcoin, ether, or other cryptocurrencies may become restricted or prohibited in locations where we operate. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account, and harm investors.

**There is a lack of liquid markets, and possible manipulation of blockchain/cryptocurrency-based assets.**

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

**Our operations, investment strategies and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies.**

We compete with other users and/or companies that are mining cryptocurrencies and other potential financial vehicles, including securities backed by or linked to cryptocurrencies through entities similar to us. Market and financial conditions, and other conditions beyond our control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrencies directly, which could limit the market for our shares and reduce their liquidity. The emergence of other financial vehicles and exchange-traded funds have been scrutinized by regulators and such scrutiny and the negative impressions or conclusions resulting from such scrutiny could be applicable to us and impact our ability to successfully pursue our new strategy or operate at all, or to establish or maintain a public market for our securities. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account, and harm investors.

**The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or other alternatives.**

The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or an alternative to distributed ledgers altogether. Our business utilizes presently existent digital ledgers and blockchains and we could face difficulty adapting to emergent digital ledgers, blockchains, or alternatives thereto. This may adversely affect us and our exposure to various blockchain technologies and prevent us from realizing the anticipated profits from our investments. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account, and harm investors.

**Our cryptocurrencies may be subject to loss, theft or restriction on access.**

There is a risk that some or all of our cryptocurrencies could be lost or stolen. Cryptocurrencies are stored in cryptocurrency sites commonly referred to as “wallets” by holders of cryptocurrencies which may be accessed to exchange a holder’s cryptocurrency assets. Access to our cryptocurrency assets could also be restricted by cybercrime (such as a denial of service attack) against a service at which we maintain a hosted hot wallet. A hot wallet refers to any cryptocurrency wallet that is connected to the Internet. Generally, hot wallets are easier to set up and access than wallets in cold storage, but they are also more susceptible to hackers and other technical vulnerabilities. Cold storage refers to any cryptocurrency wallet that is not connected to the Internet. Cold storage is generally more secure than hot storage, but is not ideal for quick or regular transactions and we may experience lag time in our ability to respond to market fluctuations in the price of our cryptocurrency assets. We currently hold all of our cryptocurrencies in hot wallets and are exploring the use of cold storage. However, the risk of loss of our cryptocurrency assets cannot be wholly eliminated even if cold storage is used.

Hackers or malicious actors may launch attacks to steal, compromise or secure cryptocurrencies, such as by attacking the cryptocurrency network source code, exchange mining machines, third-party platforms, cold and hot storage locations or software, or by other means. We may be in control and possession of one of the more substantial holdings of cryptocurrency. As we increase in size, we may become a more appealing target of hackers, malware, cyber-attacks or other security threats. Any of these events may adversely affect our operations and, consequently, our investments and profitability. The loss or destruction of a private key required to access our digital wallets may be irreversible and we may be denied access for all time to our cryptocurrency holdings or the holdings of others held in those compromised wallets. Our loss of access to our private keys or our experience of a data loss relating to our digital wallets could adversely affect our investments and assets.

Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public blockchain. We will publish the public key relating to digital wallets in use when we verify the receipt of transfers and disseminate such information into the network, but we will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, we will be unable to access our cryptocurrency rewards and such private keys may not be capable of being restored by any network. Any loss of private keys relating to digital wallets used to store our cryptocurrencies could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account.

**Risks due to hacking or adverse software event.**

There can be no assurances that any processes to manage wallets that are associated with our cryptocurrency holdings that we have adopted or will adopt in the future are or will be secure or effective, and we would suffer significant and immediate adverse effects if we suffered a loss of our cryptocurrency due to an adverse software or cybersecurity event. Human error and the constantly evolving state of cybercrime and hacking techniques may render present security protocols and procedures ineffective in ways which we cannot predict. If our security procedures and protocols are ineffectual and our cryptocurrency assets are compromised by cybercriminals, we may not have adequate recourse to recover our losses stemming from such compromise and we may lose much of the accumulated value of our cryptocurrency mining activities. This would have a negative impact on our business and operations.

**Incorrect or fraudulent cryptocurrency transactions may be irreversible.**

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. As a result, any incorrectly executed or fraudulent cryptocurrency transactions could adversely affect our investments and assets.

Cryptocurrency transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the cryptocurrencies from the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network, however, we do not now, nor is it feasible that we could in the future, possess sufficient processing power to effect this reversal. Once a transaction has been verified and recorded in a block that is added to a blockchain, an incorrect transfer of a cryptocurrency or a theft thereof generally will not be reversible and we may not have sufficient recourse to recover our losses from any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, our cryptocurrency rewards could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. Further, according to the SEC, at this time, there is no specifically enumerated U.S. or foreign governmental, regulatory, investigative or prosecutorial authority or mechanism through which to bring an action or complaint regarding missing or stolen cryptocurrency. We would be, therefore, reliant on existing private investigative entities to investigate any potential loss of our cryptocurrency assets. Such third-party service providers rely on data analysis and compliance of ISPs with traditional court orders to reveal information such as the IP addresses of any attackers who may have target us. To the extent that we are unable to recover our losses from such action, error or theft, such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations of and potentially the value of any bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account.

**Our interactions with a blockchain may expose us to SDN or blocked persons or cause us to violate provisions of law that did not contemplate distribute ledger technology.**

The Office of Financial Assets Control of the U.S. Department of Treasury requires us to comply with its sanction program and not conduct business with persons named on its specially designated nationals (“SDN”) list. However, because of the pseudonymous nature of blockchain transactions we may inadvertently and without our knowledge engage in transactions with persons named on OFAC’s SDN list. Our Company’s policy prohibits any transactions with such SDN individuals, but we may not be adequately capable of determining the ultimate identity of the individual with whom we transact with respect to selling cryptocurrency assets. Moreover, federal law prohibits any U.S. person from knowingly or unknowingly possessing any visual depiction commonly known as child pornography. Recent media reports have suggested that persons have imbedded such depictions on one or more blockchains. Because our business requires us to download and retain one or more blockchains to effectuate our ongoing business, it is possible that such digital ledgers contain prohibited depictions without our knowledge or consent. To the extent government enforcement authorities literally enforce these and other laws and regulations that are impacted by decentralized distributed ledger technology, we may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, all of which could harm our reputation and affect the value of our ADSs.

**Cryptocurrencies face significant scaling obstacles that can lead to high fees or slow transaction settlement times.**

Cryptocurrencies face significant scaling obstacles that can lead to high fees or slow transaction settlement times, and attempts to increase the volume of transactions may not be effective. Scaling cryptocurrencies is essential to the widespread acceptance of cryptocurrencies as a means of payment, which widespread acceptance is necessary to the continued growth and development of our business. Many cryptocurrency networks face significant scaling challenges. For example, cryptocurrencies are limited with respect to how many transactions can occur per second. Participants in the cryptocurrency ecosystem debate potential approaches to increasing the average number of transactions per second that the network can handle and have implemented mechanisms or are researching ways to increase scale, such as increasing the allowable sizes of blocks, and therefore the number of transactions per block, and sharding (a horizontal partition of data in a database or search engine), which would not require every single transaction to be included in every single mining machine’s or validator’s block. However, there is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of cryptocurrency transactions will be effective, or how long they will take to become effective, which could adversely affect an investment in our securities.

**The price of cryptocurrencies may be affected by the sale of such cryptocurrencies by other vehicles investing in cryptocurrencies or tracking cryptocurrency markets.**

The global market for cryptocurrency is characterized by supply constraints that differ from those present in the markets for commodities or other assets such as gold and silver. The mathematical protocols under which certain cryptocurrencies are mined permit the creation of a limited, predetermined amount of currency, while others have no limit established on total supply. To the extent that other vehicles investing in cryptocurrencies or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for cryptocurrencies, large redemptions of the securities of those vehicles and the subsequent sale of cryptocurrencies by such vehicles could negatively affect cryptocurrency prices and therefore affect the value of the cryptocurrency inventory we hold. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account.

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

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

**Cryptocurrency assets and transactions may be subject to further taxation in the future.**

In recent years, the rise of cryptocurrency prices and transaction volume has attracted the attention of tax authorities. As the laws governing cryptocurrencies are still evolving, the tax treatment of cryptocurrencies in various jurisdictions are subject to change. While some countries intend to or have imposed taxation on cryptocurrency assets and transactions, other tax authorities are silent. As there is considerable uncertainty over the taxation of cryptocurrencies, we cannot guarantee that the cryptocurrency assets and transactions denominated in cryptocurrencies will not be subject to further taxation in the future, including but not limited to additional taxes and increased tax rate. These events could reduce the economic return of cryptocurrency and increase the holding costs of cryptocurrency assets, which could materially and adversely affect the businesses and financial performances of our blockchain customers engaging in cryptocurrency mining businesses, and in turn could have a material adverse effect on our business and results of operations.

**Cryptocurrency Mining-Related Risks**

**There are risks related to technological obsolescence, the vulnerability of the global supply chain for cryptocurrency hardware disruption, and difficulty in obtaining new hardware which may have a negative effect on our business.**

Our mining operations can only be successful and ultimately profitable if the costs, including hardware and electricity costs, associated with mining cryptocurrencies are lower than the price of a bitcoin. As our mining facility operates, our mining machines experience ordinary wear and tear, and may also face more significant malfunctions caused by a number of extraneous factors beyond our control. As of the date of this annual report, most of our mining machines were previously owned and were purchased by us on a second hand basis. These second-hand mining machines may cost more to repair, maintain and operate, and will likely have a shorter useful life, than new mining machines. If our mining machines cannot be maintained and operated efficiently, our aggregate hash rate and actual bitcoin production rate will decrease. We may need to incur additional costs in order to restore our aggregate hash rate and actual bitcoin production rate to prior levels. The degradation of our mining machines will require us to, over time, replace those mining machines which are no longer functional. Additionally, as the technology evolves, we may be required to acquire newer models of mining machines to remain competitive in the market. The cost of acquiring new mining machines is unpredictable and could be extremely high. We may need to obtain mining machines and other hardware from third parties at premium prices, to the extent they are available. Additionally, in order to keep pace with technological advances and competition from other mining companies, we may need to acquire new mining machines which will eventually need to be repaired or replaced along with other equipment from time to time to stay competitive. This upgrading process requires substantial capital investment, and we may face challenges in doing so on a timely and cost-effective basis. Any inability to maintain or upgrade our mining machines and other hardware on a cost-effective basis could have a material adverse effect on our results of operations and financial condition.

Furthermore, there are a limited number of suppliers of quality, high performance mining machines. The prices for such mining machines are often closely linked and similarly volatile to the price of bitcoin. Currently there is a shortage of quality, high performance mining machines due to recent increases in the price of bitcoin. This combination of factors makes quality, high performance mining machines expensive and difficult to acquire. Suppliers are often unwilling to commit to long-term contracts with fixed pricing terms due to the volatility and significant fluctuations in the price of bitcoin. In addition, any shortage of chips, processors and ASICs can result in a shortage in the mining machines they power. Such events could have a material adverse effect on our ability to pursue our new strategy, which could have a material adverse effect on our business and the value of our ADSs.

**Our operations are dependent upon the mining machines we use, which are susceptible to failure.**

The performance and reliability of our mining machines and our technology is critical to our reputation and our operations. If there is any issue with mining machines we use, our operations could be affected. Any system error or failure may significantly delay response times or even cause our system to fail. Any disruption in our ability to continue mining could result in lower yields and harm our reputation and business. Any exploitable weakness, flaw, or error common to our mining machines could affect all our mining operations, if a defect or other flaw is exploited, all or a part of our mining operations could go offline simultaneously. Any interruption, delay or system failure could result in financial losses, a decrease in the trading price of our ADSs and damage to our reputation.

**The primary cryptocurrency for which we mine, bitcoin, is subject to halving; the cryptocurrency reward for successfully uncovering a block will halve several times in the future and their value may not adjust to compensate us for the reduction in the rewards we receive from our mining efforts.**

Halving is a process designed to control the overall supply and reduce the risk of inflation in cryptocurrencies using a Proof-of-Work consensus algorithm. At a predetermined block, the mining reward is cut in half, hence the term “halving.” For bitcoin, the reward was initially set at 50 bitcoin currency rewards per block and this was cut in half to 25 in November 28, 2012 at block 210,000, to 12.5 on July 9, 2016 at block 420,000 and again to 6.25 on May 11, 2020 at block 630,000. This halving process will reoccur until the total amount of bitcoin currency rewards issued reaches 21 million, which is expected around 2140. While bitcoin prices have had a history of price fluctuations around the halving of its cryptocurrency reward, there is no guarantee that the price change will be favorable or would compensate for the reduction in mining reward. If a corresponding and proportionate increase in the trading price of bitcoin does not follow these anticipated halving events, the revenue we earn from our mining operations would see a corresponding decrease, which would have a material adverse effect on our business and operations.

**Our future success will depend in large part upon the value of bitcoin; the value of bitcoin and other cryptocurrencies may be subject to pricing risk and has historically been subject to wide swings.**

Our operating results will depend in large part upon the value of bitcoin because it’s the primary cryptocurrency we currently mine. Specifically, our revenues from our bitcoin mining operations are based upon two factors: (1) the number of bitcoin rewards we successfully mine and (2) the value of bitcoin. In addition, our operating results are directly impacted by changes in the value of bitcoin, because under the value measurement model, both realized and unrealized changes will be reflected in our statement of operations (i.e., we will be marking bitcoin to fair value each quarter). This means that our operating results will be subject to swings based upon increases or decreases in the value of bitcoin. Furthermore, our new strategy initially focuses almost entirely on bitcoin (as opposed to other cryptocurrencies). Further, our current application-specific integrated circuit, or ASIC, machines (which we refer to as “mining machines”) are principally utilized for mining bitcoin and bitcoin cash and cannot mine other cryptocurrencies, such as ether, that are not mined utilizing the “SHA-256 algorithm.” If other cryptocurrencies were to achieve acceptance at the expense of bitcoin or bitcoin cash causing the value of bitcoin or bitcoin cash to decline, or if bitcoin were to switch its proof of work algorithm from SHA-256 to another algorithm for which our mining machines are not specialized, or the value of bitcoin or bitcoin cash were to decline for other reasons, particularly if such decline were significant or over an extended period of time, our operating results would be adversely affected, and there could be a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations, and harm investors.

Bitcoin and other cryptocurrency market prices, which have historically been volatile and are impacted by a variety of factors (including those discussed below), are determined primarily using data from various exchanges, over-the-counter markets and derivative platforms. Furthermore, such prices may be subject to factors such as those that impact commodities, more so than business activities, which could be subjected to additional influence from fraudulent or illegitimate actors, real or perceived scarcity, and political, economic, regulatory or other conditions. Pricing may be the result of, and may continue to result in, speculation regarding future appreciation in the value of cryptocurrencies, or our share price, inflating and making their market prices more volatile or creating “bubble” type risks for both bitcoin and our ADSs.



**Currently, there is relatively small use of digital assets in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect an investment in us.**

As relatively new products and technologies, digital assets and the blockchain networks on which they exist have only recently become widely accepted as a means of payment for goods and services by many major retail and commercial outlets and use of digital assets by consumers to pay such retail and commercial outlets remains limited. Conversely, a significant portion of demand for digital assets is generated by speculators and investors seeking to profit from the short- or long-term holding of such digital assets. A lack of expansion of digital assets into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in the price of all or any digital asset, either of which could adversely impact an investment in us.

**We may not be able to realize the benefits of forks.**

To the extent that a significant majority of users and mining machines on a cryptocurrency network install software that changes the cryptocurrency network or properties of a cryptocurrency, including the irreversibility of transactions and limitations on the mining of new cryptocurrency, the cryptocurrency network would be subject to new protocols and software. However, if less than a significant majority of users and mining machines on the cryptocurrency network consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “fork” of the network, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the cryptocurrency running in parallel, yet lacking interchangeability and necessitating exchange-type transaction to convert currencies between the two forks. Additionally, it may be unclear following a fork which fork represents the original asset and which is the new asset. Different metrics adopted by industry participants to determine which is the original asset include: referring to the wishes of the core developers of a cryptocurrency, blockchains with the greatest amount of hashing power contributed by mining machines or validators; or blockchains with the longest chain. A fork in the network of a particular cryptocurrency could adversely affect an investment in our securities or our ability to operate.

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

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

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

**To the extent that the profit margins of bitcoin mining operations are not high, operators of bitcoin mining operations are more likely to immediately sell bitcoin rewards earned by mining in the market, thereby constraining growth of the price of bitcoin that could adversely impact us, and similar actions could affect other cryptocurrencies.**

Over the past two years, bitcoin mining operations have evolved from individual users mining with computer processors, graphics processing units and first-generation ASIC servers. Currently, new processing power is predominantly added by incorporated and unincorporated “professionalized” mining operations. Professionalized mining operations may use proprietary hardware or sophisticated ASIC machines acquired from ASIC manufacturers. They require the investment of significant capital for the acquisition of this hardware, the leasing of operating space (often in data centers or warehousing facilities), incurring of electricity costs and the employment of technicians to operate the mining farms. As a result, professionalized mining operations are of a greater scale than prior mining machines and have more defined and regular expenses and liabilities. These regular expenses and liabilities require professionalized mining operations to maintain profit margins on the sale of bitcoin. To the extent the price of bitcoin declines and such profit margin is constrained, professionalized mining machines are incentivized to more immediately sell bitcoin earned from mining operations, whereas it is believed that individual mining machines in past years were more likely to hold newly mined bitcoin for more extended periods. The immediate selling of newly mined bitcoin greatly increases the trading volume of bitcoin, creating downward pressure on the market price of bitcoin rewards.

The extent to which the value of bitcoin mined by a professionalized mining operation exceeds the allocable capital and operating costs determines the profit margin of such operation. A professionalized mining operation may be more likely to sell a higher percentage of its newly mined bitcoin rapidly if it is operating at a low profit margin and it may partially or completely cease operations if its profit margin is negative. In a low profit margin environment, a higher percentage could be sold more rapidly, thereby potentially depressing bitcoin prices. Lower bitcoin prices could result in further tightening of profit margins for professionalized mining operations creating a network effect that may further reduce the price of bitcoin until mining operations with higher operating costs become unprofitable forcing them to reduce mining power or cease mining operations temporarily.

The foregoing risks associated with bitcoin could be equally applicable to other cryptocurrencies, whether existing now or introduced in the future. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of bitcoin and any other cryptocurrencies we mine or otherwise acquire or hold for our own account, and harm investors.

**If a malicious actor or botnet obtains control of more than 50% of the processing power on a cryptocurrency network, such actor or botnet could manipulate blockchains to adversely affect us, which would adversely affect an investment in us or our ability to operate.**

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining a cryptocurrency, it may be able to alter blockchains on which transactions of cryptocurrency reside and rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new units or transactions using such control. The malicious actor could “double-spend” its own cryptocurrency (i.e., spend the same bitcoin in more than one transaction) and prevent the confirmation of other users’ transactions for as long as it maintained control. To the extent that such malicious actor or botnet does not yield its control of the processing power on the network or the cryptocurrency community does not reject the fraudulent blocks as malicious, reversing any changes made to blockchains may not be possible. The foregoing description is not the only means by which the entirety of blockchains or cryptocurrencies may be compromised but is only an example.

Although there are no known reports of malicious activity or control of blockchains achieved through controlling over 50% of the processing power on the network, it is believed that certain mining pools may have exceeded the 50% threshold in bitcoin. The possible crossing of the 50% threshold indicates a greater risk that a single mining pool could exert authority over the validation of bitcoin transactions. To the extent that the bitcoin ecosystem, and the administrators of mining pools, do not act to ensure greater decentralization of bitcoin mining processing power, the feasibility of a malicious actor obtaining control of the processing power will increase because the botnet or malicious actor could compromise more than 50% mining pool and thereby gain control of blockchain, whereas if the blockchain remains decentralized it is inherently more difficult for the botnet of malicious actor to aggregate enough processing power to gain control of the blockchain, may adversely affect an investment in our ADSs. Such lack of controls and responses to such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account, and harm investors.

**Cryptocurrencies, including those maintained by or for us, may be exposed to cybersecurity threats and hacks.**

As with any computer code generally, flaws in cryptocurrency codes may be exposed by malicious actors. Several errors and defects have been found previously, including those that disabled some functionality for users and exposed users' information. Exploitations of flaws in the source code that allow malicious actors to take or create money have previously occurred. Despite our efforts and processes to prevent breaches, our devices, as well as our mining machines, computer systems and those of third parties that we use in our operations, are vulnerable to cyber security risks, including cyber-attacks such as viruses and worms, phishing attacks, denial-of-service attacks, physical or electronic break-ins, employee theft or misuse, and similar disruptions from unauthorized tampering with our mining machines and computer systems or those of third parties that we use in our operations. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account.

**We are subject to risks associated with our need for significant electrical power. Government regulators may potentially restrict the ability of electricity suppliers to provide electricity to mining operations, such as ours.**

The operation of a bitcoin or other cryptocurrency mine can require massive amounts of electrical power. Further, our mining operations can only be successful and ultimately profitable if the costs, including electrical power costs, associated with mining a bitcoin are lower than the price of a bitcoin. Our electrical power costs could rise dramatically due to price increases. Any increases in our electrical power costs would reduce the profit margin of our mining operations. As a result, any mine we establish can only be successful if we can obtain sufficient electrical power for that mine on a cost-effective basis, and our establishment of new mines requires us to find locations where that is the case. There may be significant competition for suitable mine locations, and government regulators may potentially restrict the ability of electricity suppliers to provide electricity to mining operations in times of electricity shortage, or may otherwise potentially restrict or prohibit the provision of electricity to mining operations. Additionally, our mining machines, aggregate hash rate, and actual bitcoin production rate could be materially and adversely affected by a power outage. Given the power requirement, it would not be feasible to run mining machines on back-up power generators in the event of a government restriction on electricity or a power outage. If we are unable to receive adequate power supply and are forced to reduce our operations due to the availability or cost of electrical power, our business would experience materially negative impacts.

**If the award of cryptocurrency rewards, for us primarily bitcoin for solving blocks and transaction fees are not sufficiently high, we may not have an adequate incentive to continue mining and may cease mining operations, which will likely lead to our failure to achieve profitability.**

As the number of cryptocurrency rewards awarded for solving a block in a blockchain decreases, our ability to achieve profitability worsens. Decreased use and demand for bitcoin rewards may adversely affect our incentive to expend processing power to solve blocks. If the award of bitcoin rewards for solving blocks and transaction fees are not sufficiently high, we may not have an adequate incentive to continue mining and may cease our mining operations. For instance, the current fixed reward for solving a new block on the bitcoin blockchain is 6.25 bitcoin currency rewards per block, which decreased from 12.5 bitcoin in May 2020. It is estimated that it will halve again in 2024. This reduction may result in a reduction in the aggregate hash rate of the bitcoin network as the incentive for mining machines decreases. Mining machines ceasing operations would reduce the collective processing power on the network, which would adversely affect the confirmation process for transactions (i.e., temporarily decreasing the speed at which blocks are added to a blockchain until the next scheduled adjustment in difficulty for block solutions) and make cryptocurrency networks more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on a blockchain, potentially permitting such actor or botnet to manipulate a blockchain in a manner that adversely affects our activities. A reduction in confidence in the confirmation process or processing power of the network could result and be irreversible. Such events could have a material adverse effect on our ability to continue to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account.

**We may not adequately respond to price fluctuations and rapidly changing technology, which may negatively affect our business.**

Competitive conditions within the cryptocurrency industry require that we use sophisticated technology in the operation of our business. The industry for blockchain technology is characterized by rapid technological changes, new product introductions, enhancements and evolving industry standards. New technologies, techniques or products could emerge that might offer better performance than the software and other technologies we currently utilize, and we may have to manage transitions to these new technologies to remain competitive. We may not be successful, generally or relative to our competitors in the cryptocurrency industry, in timely implementing new technology into our systems, or doing so in a cost-effective manner. During the course of implementing any such new technology into our operations, we may experience system interruptions and failures during such implementation. Furthermore, there can be no assurances that we will recognize, in a timely manner or at all, the benefits that we may expect as a result of our implementing new technology into our operations. As a result, our business and operations may suffer, and there may be adverse effects on the price of our ADSs.

**If we are unable to successfully renew our leases for our mining farms on acceptable terms or otherwise relocate to a replacement facility, our operations may be disrupted, and our business results may suffer.**

We have leased land use rights for our mining farms in Ohio for a term of five years, which expires in September 2026. Our mining farms at the site operate and rely on high-tension electrical equipment owned by the lessor. There can be no assurance that the lessor will permit us to renew or that we will be able to negotiate terms acceptable to both our management team and the lessor. If we are unable to successfully negotiate an extension of this existing lease, we may be forced to relocate our farms to other sites.

If we are forced to relocate our mining operations, including our mining farm in Ohio, we may not be successful in identifying adequate replacement facilities to house our miners. Even if we do identify such facilities, we may not be successful in leasing those facilities at rates that are economically viable to support our miner hosting activities. Relocating our mining farms will require us to incur costs to transition to new facilities including, but not limited to, transportation expenses and insurance, downtime while we are unable to mine, legal fees to negotiate the new lease, de-installation at our current farms and, ultimately, installation at any new facility we identify. These costs may be substantial, and we cannot guarantee that we will be successful in transitioning our miners to new facilities. If we are required to move our mining operations, our mining machines could be damaged in the course of transportation to and re-installation at their new locations; if negotiations to renew our existing leases result in unfavorable terms for our miner hosting operations, our business may suffer and the results of our operations may be adversely affected.

**We may fail to obtain or renew or may experience material delays in obtaining requisite approvals, licenses and permits, which could negatively impact our miner hosting business.**

We require various approvals, licenses and permits to conduct our miner hosting business. We cannot assure you that we will not encounter significant problems in obtaining new or renewing existing approvals, licenses and permits, or that we will continue to satisfy the conditions to which such approvals, licenses and permits granted. If previously obtained approvals, licenses and permits are revoked and/or if we fail to obtain and/or maintain the necessary approvals, licenses and permits required to conduct our miner hosting business, we may be required to suspend or terminate our miner hosting business, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

**Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by Public Company Accounting Oversight Board, and as such, investors may be deprived of the benefits of such inspection. In addition, the adoption of any rules, legislations or other efforts to increase U.S. regulatory access to audit information could cause uncertainty, and we could be delisted if we were unable to meet any PCAOB inspection requirement in time.**

Our independent registered public accounting firm that issues the audit report included in our annual report filed with the SEC, as auditors of companies that are traded publicly in the U.S. and a firm registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the U.S. to undergo regular inspections by the PCAOB to assess its compliance with the laws of the U.S. and professional standards. According to Article 177 of the PRC Securities Law (last amended in March 2020), no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to overseas parties. As a result, audit workpapers may not be inspected by the PCAOB without the approval of the PRC authorities. On May 24, 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. PCAOB continues to be in discussions with the CSRC and the Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects the U.S. regulators' heightened interest in this issue. In a statement issued on December 9, 2019, the SEC reiterated concerns over the inability of the PCAOB to conduct inspections of the audit firm work papers with respect to U.S.-listed companies that have operations in China, and emphasized the importance of audit quality in emerging markets, such as China. On April 21, 2020, the SEC and the PCAOB issued a new joint statement, reminding the investors that in investing in companies that are based in or have substantial operations in many emerging markets, including China, there is substantially greater risk that disclosures will be incomplete or misleading, and there is also a greater risk of fraud. In the event of investor harm, there is substantially less ability to bring and enforce SEC, DOJ and other U.S. regulatory actions, in comparison to U.S. domestic companies, and the joint statement reinforced past SEC and PCAOB statements on matters including the difficulty to inspect audit work papers in China and its potential harm to investors. However, it remains unclear what further actions the SEC and PCAOB will take to address the concerns. On June 4, 2020, the U.S. President issued a memorandum ordering the President's Working Group on Financial Markets, or the PWG, to submit a report to the President within 60 days of the memorandum that includes recommendations for actions that can be taken by the executive branch and by the SEC or PCAOB on Chinese companies listed on the U.S. stock exchanges and their audit firms, in an effort to protect investors in the U.S. On August 6, 2020, the PWG released a report recommending that the SEC take steps to implement the five recommendations outlined in the report. In particular, to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfill its statutory mandate, or NCJs, the PWG recommends enhanced listing standards on U.S. stock exchanges. This would require, as a condition to initial and continued exchange listing, PCAOB access to work papers of the principal audit firm for the audit of the listed company. Companies unable to satisfy this standard as a result of governmental restrictions on access to audit work papers and practices in NCJs may satisfy this standard by providing a co-audit from an audit firm with comparable resources and experience where the PCAOB determines it has sufficient access to audit work papers and practices to conduct an appropriate inspection of the co-audit firm. There is currently no legal process under which such a co-audit may be performed in China. The report permits the new listing standards to provide for a transition period until January 1, 2022 for listed companies, but would apply immediately to new listings once the necessary rulemakings and/or standard-setting are effective. The measures in the report are expected to be subject to the standard SEC rulemaking process before becoming effective. On August 10, 2020, the SEC announced that SEC Chairman had directed the SEC staff to prepare proposals in response to the report, and that the SEC was soliciting public comments and information with respect to these proposals. If we fail to meet the new listing standards before the deadline specified thereunder due to factors beyond our control, we could face possible de-listing from the NYSE, deregistration from the SEC and/or other risks, which may materially and adversely affect, or effectively terminate, our ADS trading in the United States.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our consolidated financial statements.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in December 2020, the United States enacted the Holding Foreign Companies Accountable Act, or the HFCA Act, which includes requirements for the SEC to identify issuers whose audit reports are prepared by auditors that the PCAOB is unable to inspect or investigate because of restrictions imposed by non-U.S. authorities in the auditor's local jurisdiction. The HFCA Act also requires public companies on this SEC list to certify that they are not owned or controlled by a foreign government and make certain additional disclosures on foreign ownership and control of such issuers in their SEC filings. On March 24, 2021, the SEC announced the adoption of interim final amendments to implement the foregoing certification and disclosure requirements and that it is seeking public comment on the requirements. Furthermore, the HFCA Act amends the Sarbanes-Oxley Act of 2002 to require the SEC to prohibit securities of any U.S. listed companies from being traded on any of the U.S. national securities exchanges, such as NYSE and Nasdaq Stock Market, or in the U.S. "over-the-counter" markets, if the auditor of the U.S. listed companies' financial statements is not subject to PCAOB inspections for three consecutive "non-inspection" years after the law becomes effective. The SEC has not yet identified a list of issuers whose auditors are not subject to PCAOB inspections. Enactment of the HFCA Act and other efforts to increase the U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of the ADSs could be adversely affected. We cannot assure you that we will not be identified by the SEC as an issuer whose audit report is prepared by auditors that the PCAOB is unable to inspect or investigate. We cannot assure you that, once we have a "non-inspection" year, we will be able to take remedial measures in a timely manner, and as a result, and we cannot assure you that we will always be able to maintain the listing of our ADSs on a national stock exchange in the U.S., such as the NYSE or the Nasdaq Stock Market, or that you will always be allowed to trade our shares or ADSs.

## **Risks Related to Our ADSs**

### **The trading price of our ADSs may be volatile, which could result in substantial losses to investors.**

The trading price of our ADSs may be volatile and could fluctuate widely in response to factors relating to our business as well as external factors beyond our control. Factors such as variations in our financial results, announcements of new business initiatives by us or by our competitors, recruitment or departure of key personnel, changes in the estimates of our financial results or changes in the recommendations of any securities analysts electing to follow our securities or the securities of our competitors could cause the market price for our ADSs to change substantially. At the same time, securities markets may from time to time experience significant price and volume fluctuations that are not related to the operating performance of particular companies. For example, in late 2008 and early 2009, the securities markets in the United States, China and other jurisdictions experienced the largest decline in share prices since September 2001. These market fluctuations may also have a material adverse effect on the market price of our ordinary shares.

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

The price at which the ADSs are traded may decline below the offering price, meaning that you may experience a decrease in the value of your ADSs regardless of our operating performance or prospects. In the past, following periods of volatility in the market price of a company's securities, shareholders have often instituted securities class action litigation against that company. If we were involved in a class action suit, it could divert the attention of senior management, and, if adversely determined, could have a material adverse effect on our results of operations.

**Future sales or perceived sales of our ADSs or ordinary shares by existing shareholders could cause our ADSs price to decline.**

If our existing shareholders sell, indicate an intention to sell, or are perceived to intend to sell, substantial amounts of our ordinary shares in the public market after the 90-day contractual lock-up period and the lapse of other legal restrictions on resale discussed in this annual report, the trading price of our ADSs could decline. All ADSs sold in our initial public offering are freely tradable, without restriction, in the public market. The representatives of the underwriters may, in their sole discretion, permit any party subject to lock-up agreements to sell shares prior to the expiration of the lock-up agreements. After the lock-up agreements pertaining to our initial public offering expire (90 days or more from the date of this annual report), all of our outstanding shares will be eligible for sale in the public market, but they will be subject to volume limitations and other restrictions under Rule 144 under the Securities Act. In addition, ordinary shares subject to outstanding options under our share incentive plan will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act. If these additional shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our ordinary shares could decline.

**Future issuance of share options or restricted shares may have a diluting effect on existing and future shareholders.**

The grant and exercise of share options or restricted shares to be issued in the future will likely result in a dilution of the value of our ordinary shares for all shareholders. We have established a 2021 Share Incentive Plan under which we are able to issue shares up to 12% of our issued and outstanding ordinary shares from time to time. For more details, see “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans.” We may in the future issue additional share options and other share-based awards under the plan, which may dilute the interest of the existing and future shareholders. Moreover, we may seek authorization to increase the number of shares subject to our 2021 Share Incentive Plan, or sell additional securities and/or rights to purchase such securities at any time in the future. Dilution of the value of the ordinary shares will likely result from such sales, which in turn could adversely affect the market price of our ordinary shares and ADSs.

**We may become a passive foreign investment company, or PFIC, which could result in adverse United States tax consequences to United States investors.**

Based on our financial statements and the composition of our income and assets and the valuation of our assets, we do not believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for 2021, although there can be no assurances in this regard. Additionally, it is possible that we may be a PFIC in 2022 or future taxable years. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets and the valuation of our assets from time to time. Moreover, the application of the PFIC rules to digital assets and cloud computing (and transactions related thereto) is subject to significant uncertainty. Among other things, the United States Internal Revenue Service (“IRS”) has issued very limited guidance on the treatment of income from activities such as those conducted by our mining pool business. We expect the activities of the mining pool business to be treated as generating active income, rather than passive income, and accordingly, we do not expect to be a PFIC. However, the IRS or a court may disagree with our determinations, including the treatment of our mining pool business as generating active income, the manner in which we determine the value of our assets and the percentage of our assets that are passive assets under the PFIC rules. For any taxable year we will be classified as a PFIC for United States federal income tax purposes if either (i) 75% or more of our gross income in that taxable year is passive income or (ii) the average percentage of our assets (which includes cash) by value in that taxable year which produce or are held for the production of passive income is at least 50%. The calculation of the value of our assets will be based, in part, on the quarterly market value of our ADSs, which is subject to change. Therefore, a decrease in the price of our ADSs may result in our becoming a PFIC.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, such characterization could result in adverse United States federal income tax consequences to you if you are a United States Holder, as defined under “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation.” For example, if we are or become a PFIC, you may become subject to increased tax liabilities under United States federal income tax laws and regulations, and will become subject to burdensome reporting requirements. See “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Passive Foreign Investment Company.” We cannot assure you that we will not be a PFIC for 2022 or any future taxable year.



**You may not be able to participate in rights offerings and may experience dilution of your holdings in relation to any such offerings.**

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

In addition, the depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property and you will not receive such distribution.

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

Our amended and restated memorandum and articles of association include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change-of-control transactions. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares. Preferred shares could thus be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. In addition, if our board of directors issues preferred shares, the market price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares may be adversely affected. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of us in a tender offer or similar transaction.

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

Our corporate affairs are governed by our amended and restated memorandum and articles of association, the Cayman Islands Companies Law and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by noncontrolling shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States and provides significantly less protection to investors. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although a judgment obtained in the United States will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (a) is given by a foreign court of competent jurisdiction; (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; (c) is final; (d) is not in respect of taxes, a fine or a penalty; and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

**You will have limited ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, based on United States or other foreign laws, because we are incorporated in the Cayman Islands, because we conduct our operations in China and most of our directors and officers reside outside the United States and therefore you may not be able to enjoy the protection of such laws in an effective manner.**

We are incorporated in the Cayman Islands and conduct our operations exclusively in China. All of our assets are located outside the United States. Most of our directors and officers reside outside the United States and a substantial portion of the assets of those persons are located outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state, and it is uncertain whether such Cayman Islands or PRC courts would be competent to hear original actions brought in the Cayman Islands or the PRC against us or such persons predicated upon the securities laws of the United States or any state. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible. In addition, you may not be able to bring original actions in China based on the U.S. or other foreign laws against us, our directors, executive officers or the expert named in this annual report either. As a result, shareholder claims that are common in the U.S., including class action securities law and fraud claims, are difficult or impossible to pursue as a matter of law and practicality in China.

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

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a U.S. company. Therefore, you may not be able to effectively enjoy the protection offered by the U.S. laws and regulations that intend to protect public investors.

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

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

**The voting rights of holders of ADSs are limited in several significant ways by the terms of the deposit agreement.**

Holders of our ADSs may only exercise their voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Upon receipt of voting instructions from a holder of ADSs in the manner set forth in the deposit agreement, the depositary will endeavor to vote the underlying ordinary shares in accordance with these instructions. Under our amended and restated memorandum and articles of association and Cayman Islands law, the minimum notice period required for convening a general meeting is five days. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter at the meeting. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ordinary shares are not voted as you requested.

**The depositary of our ADSs, except in limited circumstances, grants to us a discretionary proxy to vote the ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, which could adversely affect your interests and the ability of our shareholders as a group to influence the management of our company.**

Under the deposit agreement for the ADSs, the depositary gives us a discretionary proxy to vote our ordinary shares underlying your ADSs at shareholders' meetings if you do not vote, unless:

- we have failed to timely provide the depositary with our notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- voting at the meeting is made on a show of hands.

The effect of this discretionary proxy is that you cannot prevent our ordinary shares underlying your ADSs from being voted, absent the situations described above, and it may make it more difficult for holders of ADSs to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

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

The depositary of our ADSs has agreed to pay you the cash dividends or other distributions it or the custodian for our ADSs receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our ordinary shares your ADSs represent. However, the depositary is not responsible if it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed pursuant to an applicable exemption from registration. The depositary is not responsible for making a distribution available to any holders of ADSs if any government approval or registration is required for such distribution. We have no obligation to take any other action to permit the distribution of our ADSs, ordinary shares, rights or anything else to holders of our ADSs. This means that you may not receive the distributions we make on our ordinary shares or any value for them if it is unlawful or impractical for us to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

**You may be subject to limitations on the transfer of your ADSs.**

Your ADSs, represented by ADRs, are transferable on the books of the depository. However, the depository may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depository may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of our ADSs generally when our books or the books of the depository are closed, or at any time if we think or the depository thinks it is necessary or advisable to do so in connection with the performance of its duty under the deposit agreement, including due to any requirement of law or any government or governmental body, or under any provision of the deposit agreement.

**We incurred, and will continue to incur increased costs as a result of being a public company.**

As a public company, we have incurred significant accounting, legal and other expenses that we did not incur when we were a private company, including additional costs associated with our public company reporting obligations. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC, and NYSE, impose various requirements on the corporate governance practices of public companies.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. Since we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. Operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In the past, shareholders of a public company often brought securities class action suits against the Company following periods of instability in the market price of that company’s securities. On February 27, 2015, a purported stockholder class action lawsuit was brought against the Company consisting of purchasers of our ADSs during the period between November 22, 2013 and February 25, 2015. On January 15, 2020, a purported class action complaint was brought against the Company consisting of purchasers of our ADSs during the period between April 27, 2018 and December 31, 2019. For further details on this class action lawsuit, see “Item 4. Information on the Company—B. Business Overview—Legal and Administrative Proceedings.” When we are involved in a class action suit, it could divert a significant amount of our management’s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

**ITEM 4. INFORMATION ON THE COMPANY**

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

We began operations in the online lottery service industry in 2001 through one of our consolidated affiliated entities, E-Sun Network Co., Ltd., or E-Sun Network, in Shenzhen, China. In May 2006, E-Sun Network established its wholly-owned subsidiary, E-Sun Sky Network Technology Co., Ltd., or E-Sun Sky Network, which became our major operation entity for our online lottery services business. We have voluntarily suspended our online sports lottery sales services in response to the promulgation of the Self-Inspection Notice and the Public Announcement since April 4, 2015.

In June 2017, we acquired a 40.65% equity interest in Loto Interactive Limited, or Loto Interactive, a company listed on the Hong Kong Stock Exchange (Stock Code: 8198), for a total consideration of approximately HK\$322.2 million (US\$41.3 million). Our equity stake decreased to 40.48% at the end of 2019 due to exercise of share options granted to directors and employees of Loto Interactive and was further diluted to 33.74% in October 2020 due to private placement of Loto Interactive. We owned a 54.2% equity interest in Loto Interactive after completion of the subscription on March 31, 2021 and after the completion of the general offering, we currently own a 59.79% equity interest in Loto Linteractive. And Loto Interactive became a subsidiary of our company since March 31, 2021. Loto Interactive and its subsidiaries are principally engaged in the provision of data analysis and storage services and the money lending business in Hong Kong.

We are committed to becoming a leading cryptocurrency mining enterprise. Since announcing our entry into the cryptocurrency industry in December 2020, we have entered into definitive agreements to (i) purchase cryptocurrency mining machines, (ii) acquire a controlling stake in Loto Interactive Limited (HKEX: 08198), (iii) acquire the entire mining pool business of Bitdeer Technologies Holding Company operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com, (iv) acquire a mining machine manufacturer, to unfurl a comprehensive approach to cryptocurrency mining, and (v) jointly invest in the development of a cryptocurrency mining data center in Ohio with power capacity of 150 megawatts in aggregate.

In January 2021, we announced that we entered into a definitive purchase agreement with certain sellers, pursuant to which we expect to issue approximately US\$14.4 million worth of its Class A ordinary shares as consideration to acquire bitcoin mining machines owned by the sellers. We expect to issue 11,882,860 newly-issued Class A ordinary shares valued at US\$1.21 per share, corresponding to US\$12.10 per ADS (based on the ratio of ten ordinary shares per ADS), the closing trading price of our ADSs on January 8, 2021, the last trading day prior to the date of the agreement, for a total consideration of approximately US\$14.4 million to acquire bitcoin mining machines owned by the sellers including such models as the S17, T17, M20s and S9. On March 15, 2021, we have announced the completion of the acquisition of bitcoin mining machines. From which transaction, we also acquired the 100% equity interest in Star Light Inc. through Fine Brand Limited, and its wholly owned subsidiaries of Skill Esport Limited and Chongqing Yusheng Information Technology Limited. As the date of this annual report, part of these mining machines are deployed and in operation in Kazakhstan and the U.S., with an aggregate theoretical hash rate capacity of 825.5 PH/s. To increase the cost efficiency of its mining business, the Company sold some low-end mining machines with a total theoretical hash rate capacity of 610.7 PH/s.

In February and August 2021, we announced that we entered into several purchase agreements for bitcoin mining machines for a total consideration of US\$18.1 million. As the date of this annual report, these mining machines are deployed and in operation in the U.S., with an aggregate theoretical hash rate capacity of 532.8 PH/s.

In February 2021, we also announced that we entered into a share exchange agreement with Blockchain Alliance Technologies Holding Company (“Blockchain Alliance”), a Cayman Islands company and a “Non-U.S. Person” as defined in Regulation S of the Securities Act, pursuant to which we agreed to issue an aggregate of 44,353,435 Class A ordinary shares of our company to Blockchain Alliance at the first closing, which shares represent approximately 10% of our outstanding shares as of January 31, 2021, in exchange for the entire outstanding share capital of Alliance International Technologies Limited (formerly named “Blockchain Alliance Technologies Limited”) held by Blockchain Alliance after the reorganization. The first closing of the transactions contemplated by the share exchange agreement is subject to certain closing conditions, which include, among others, the transfer to the Company of the entire mining pool business of Bitdeer Technologies Holding Company operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com (collectively, the “BTC.com Pool Businesses”). We and Blockchain Alliance also agreed that, if the BTC.com Pool Businesses record net operating profit in the twelve-month period from April 1, 2021 to March 31, 2022, we shall issue additional Class A Ordinary Shares to Blockchain Alliance at par value. Assuming such net operating profit is no less than US\$20 million, a maximum of 22,176,718 additional Class A ordinary shares shall be issuable, which additional Class A ordinary shares represent approximately 5% of the Company’s outstanding shares as of January 31, 2021. If the BTC.com Pool Businesses record net operating loss in the twelve-month period from April 1, 2021 to March 31, 2022, we shall be entitled to repurchase certain Class A ordinary shares held by Blockchain Alliance at par value. Assuming such net operating loss is no less than US\$10 million, a maximum of 4,435,344 Class A ordinary shares shall be subject to such repurchase arrangement, which Class A ordinary shares represent approximately 1% of our outstanding shares as of January 31, 2021. The BTC.com Pool Businesses offer a one-stop mining experience for users. Users can search and browse real-time blockchain information through BTC.com and manage their cryptocurrency mining business through the BTC.com Pool website or app. In addition, users can save the cryptocurrencies that they have mined in the BTC.com cryptocurrency wallet. BTC.com Pool is a multi-currency integrated mining pool established in 2016 that has a hash rate of around 17 EH/s and supports various cryptocurrencies, including BTC, BCH, ETH and LTC. Blockchain Alliance has agreed to subject the Class A ordinary shares that it receives in the abovementioned transactions to agreed lock-up periods in accordance with the share exchange agreement. BitDeer was the parent company of Blockchain Alliance. BitDeer’s biggest beneficially owner is Mr. Wu Jihan, BitDeer’s chairman.

In February 2021, we also announced that we entered into a definitive agreement to purchase 2,000 new ETH mining machines for a total consideration of RMB195 million (approximately US\$30.2 million). As of the date of this annual report, these ETH mining machines are all deployed and in operation in Hong Kong with an aggregate theoretical hash rate capacity of 4,800 GH/s.

In March 2021, we also announced that a majority of our board of directors resolved to change our (i) English name to “BIT Mining Limited”, or the English Name Change, subject to shareholder approval being received for the English Name Change, (ii) Chinese business name to “比特矿业,” and (iii) ticker symbol to “BTCM.” Pursuant to our Second Amended and Restated Articles of Association, the English Name Change needs to be adopted by a Special Resolution at a general meeting of shareholders. For the purpose of seeking such shareholder approval, a majority of the board also resolved to call an extraordinary general meeting of shareholders to consider the English Name Change. On March 19, 2021, we announced that we would hold an extraordinary general meeting of shareholders on April 8, 2021 to consider and, if thought fit, pass the following resolutions: (i) as a special resolution that the English name of the Company be changed to “BIT Mining Limited”; and (ii) as an ordinary resolution that the authorized share capital of the Company be increased to US\$100,000 divided into 1,600,000,000 Class A Ordinary Shares of a nominal or par value of US\$0.00005 each and 400,000,000 Class B Ordinary Shares of a nominal or par value of US\$0.00005 each, by the creation of 900,000,000 Class A Ordinary Shares of a nominal or par value of US\$0.00005 each and 100,000,000 Class B Ordinary Shares of a nominal or par value of US\$0.00005 each. On the same date, the Company also announced its decision to relocate its headquarters from Shenzhen to Singapore. On April 12, 2021, the Company announced that at an extraordinary general meeting, held on April 8, 2021, the Company’s shareholders passed a special resolution to change the English name of the Company to “BIT Mining Limited” effective as of April 8, 2021.

In April 2021, we also announced that we had entered into a share exchange agreement (“Share Exchange Agreement”) with shareholders (the “Selling Shareholders”) of Bee Computing (HK) Limited (“Bee Computing”). Pursuant to the Share Exchange Agreement, the Company expects to issue an aggregate of 45,825,530 of its Class A ordinary shares valued at US\$2.182 per share, corresponding to US\$21.82 per ADS (based on the ratio of ten ordinary shares per ADS), representing a consideration of US\$100 million in aggregate, to the Selling Shareholders and research and development team members, in exchange for the total issued share capital of Bee Computing. The 45,825,530 Class A ordinary shares represent approximately 8.18% of the Company’s total outstanding share capital as of March 31, 2021. The price of US\$21.82 per ADS is based on the volume weighted average price of the twenty trading days prior to the date of the Share Exchange Agreement. This transaction is subject to the completion of certain conditions precedent to the closing of the transaction, including Bee Computing’s satisfactory completion of certain reorganization steps and other required closing conditions. There can be no assurance that the closing conditions will be satisfied, or that the proposed transaction will be consummated.

Pursuant to the Share Exchange Agreement, the Company shall, subject to customary conditions, issue at the first closing an aggregate of 16,038,930, or US\$35 million worth, of its Class A ordinary shares to the Selling Shareholders. Subject to satisfaction of the following milestones, the Company shall issue at the subsequent closing an aggregate of 29,786,600, or US\$65 million worth, of its Class A ordinary shares to Selling Shareholders and research and development team members:

- 1) Continuous mass-production of bitcoin mining machines incorporated with 7-nanometer application specific integrated circuits (“ASICs”);
- 2) Development and mass-production of new generation of bitcoin mining machines incorporated with 7-nanometer ASICs;
- 3) Successful development of high-performance and mass-producible ETH ASIC mining machines;
- 4) Successful development of high-performance and mass-producible LTC ASIC mining machines.

The Company’s Class A ordinary shares issued pursuant to the Share Exchange Agreement shall be subject to an agreed lock-up period. Bee Computing was established in 2018 and specializes in the development and manufacture of cryptocurrency mining chips and mining machines for different cryptocurrencies, including BTC, ETH, and LRC. Bee Computing has invested more than US\$35 million in research and development since its inception. In 2019, Bee Computing launched a bitcoin mining machine incorporating 7-nanometer ASICs co-developed with MediaTek Inc., the largest IC design company in Asia, manufactured by Taiwan Semiconductor Manufacturing Company, the world’s leading third-party foundry, and tested and packaged by ASE Technology Holding Co., Ltd., the world’s largest semiconductor testing company, who is also a major investor of Bee Computing. As of the date of this annual report, the transaction is still in progress.

In July 2021, the Company completed a private placement of 100,000,000 Class A ordinary shares and warrants to purchase up to an additional 100,000,000 Class A ordinary shares, at a purchase price of US\$5.00 per ten Class A ordinary shares, with one warrant included in the price of each Class A ordinary share, in a private, unregistered transaction to certain investors. The private placement resulted in gross proceeds to the Company of US\$50.0 million before the deduction of placement agent fees and expenses and offering expenses payable by the Company. The warrants have a term of three years, are exercisable six months following their issuance date and have an exercise price of US\$6.81 per ten Class A ordinary shares. Ten Class A ordinary shares can be converted into one ADS of the Company if certain conditions are satisfied. In connection with the private placement, the Company and its investors entered into a registration rights agreement, which is included as an exhibit to this annual report.

See “Item 4. Information on the Company—C. Organizational Structure” for a diagram illustrating our corporate structure as of the date of this annual report.

Our company was incorporated under the laws of the Cayman Islands on April 20, 2007 under the name Fine Success Limited, which was changed to 500wan.com on May 9, 2011, changed to 500.com on October 8, 2013 and further changed to the current name BIT Mining Limited on April 9, 2021.

On November 22, 2013, our ADSs began trading on the NYSE under the ticker symbol “WBAI.” We issued and sold a total of 6,653,900 ADSs, representing 66,539,000 Class A ordinary shares, at an initial offering price of \$13.00 per ADS.

In December 2020, we announced that we entered into a definitive share subscription agreement with Good Luck Information Technology Co., Limited, or Good Luck Information, a company incorporated in Hong Kong, for the issuance and sale of newly issued Class A ordinary shares of our company. Pursuant to the agreement, Good Luck Information will purchase 85,572,963 newly issued Class A ordinary shares for a total purchase price of approximately US\$23 million. The per share purchase price of US\$0.269 is the closing trading price of the Company's ADSs on December 18, 2020, the last trading day immediately preceding the date of the purchase agreement, as adjusted by a 1-to-10 ADS to ordinary shares ratio. In January 2021, we announced our determination that 50% of the subscription price, or approximately US\$11.5 million, shall be settled by U.S. dollars, with the remaining 50% of the subscription price, or approximately US\$11.5 million, being settled by bitcoin. The applicable bitcoin to U.S. dollars exchange rate was US\$32,326.29 to one bitcoin, being the average of the closing trading prices for bitcoin published by Coinmarketcap for each of the 31 days ended January 20, 2021. On February 23, 2021, we announced the closing of the private placement transaction pursuant to our definitive share subscription agreement with Good Luck Information. We received 356.04342 bitcoins and US\$11.5 million in cash from Good Luck Information, and we issued 85,572,963 newly issued Class A ordinary shares to Good Luck Information. Good Luck Information has agreed to subject all the shares it or its affiliate will acquire in the transaction to a contractual lock-up restriction for 180 days after the closing. Good Luck Information is controlled by Mr. Man San Vincent Law, a founder of our company. Upon closing, Good Luck Information holds 16.6% of our issued and outstanding ordinary shares.

In just three months, the Company has completed a radical transformation of its business to become a cryptocurrency mining enterprise. By diversifying the Company's revenue streams, it has largely expanded its potential, business longevity, and ultimately the value proposition to its shareholders.

These achievements would not have been possible without the assistance of the Company's original founder, Mr. Man San Vincent Law. After the completion of the abovementioned transactions, the Company's currently shareholding structure is relatively dispersed. In light of this, the Company has been exploring possible ways permitted under applicable laws and the Company's articles of association to ensure the stability of the Company's corporate governance and long-term development of its businesses. As a result, the Company's Board of Directors has appointed Mr. Man San Vincent Law as its Executive Director, effective as of April 5, 2021, and authorized the Company to issue 65,000 Class A preference shares (the "Preference Shares") at US\$1.0 per share, for a total consideration of US\$65,000, to Good Luck Capital Limited ("Good Luck"), a company wholly-owned by Mr. Law. Following the issuance of the Preference Shares, Mr. Man San Vincent Law's aggregate voting power increased from approximately 17.66% to approximately 60.28% (based on the Company's total outstanding share capital as of March 31, 2021 and assuming issuance of all shares under the Share Exchange Agreement). The following is a summary of the key terms associated with the Preference Shares.

- 1) The voting power of each Preference Share is equal to that of 10,000 Class A ordinary shares of the Company, subject to proportional reduction commensurate with the number of Class A ordinary shares beneficial owned by Good Luck;
- 2) The Preference Shares cannot be converted into Class A ordinary shares, Class B ordinary shares, or ADRs;
- 3) The Preference Shares are not entitled to receive dividends;
- 4) If Good Luck transfers the Preference Shares to a third party which is not an affiliate of Good Luck, or when Good Luck ceases to be controlled by any person holding executive office in or being a member of the board of director of the Company, Class A Preference Shares shall cease to have any voting right and
- 5) If Mr. Law ceases to serve as a director of the Company, the Company shall be entitled to redeem the Class A Preference Shares at the original subscription price.

We received the consideration of US\$65,000 and issued 65,000 Class A preference shares to Good Luck on April 7, 2021. Mr. Man San Vincent Law is a major founder of the Company. He has served as a Senior Adviser of Loto Interactive Limited from 2017 to 2021. From 2001 to 2015, Mr. Law served as the Company's chief executive officer and was chairman of the board of directors from 2001 to 2017. In 2001 Mr. Law founded E-Sun Network Co., Ltd. and became one of the pioneers in opening China's online lottery service market, committed to developing innovative online products and solutions. Mr. Law received a bachelor's degree from Wuhan University in 1990 and an administrative master's degree in business administration from Cheung Kong Graduate School of Business in 2009.



Consistent with a special resolution passed by the Company's shareholders at an extraordinary general meeting held on April 8, 2021, our ADSs began trading under the Company's new English name "BIT Mining Limited," and its new ticker symbol "BTCM," effective at the opening of trading on April 20, 2021.

On June 18, 2021, we completed a cash offer to acquire all the shares in issuance of Loto Interactive other than those already owned or agreed to be acquired by us, and a cash offer for the cancellation of all options of Loto Interactive. Upon the closing of such cash offers, we acquired a total of 30,642,534 shares and a total of 6,800,000 options, which will be cancelled, and our ownership in Loto Interactive increased to 59.79%.

On June 19, 2021, Ganzi Changhe received notice from State Grid Sichuan Ganzi Electric Power Co., Ltd. (the "Local Power Supplier"), informing Ganzi Changhe that its power supply would be suspended, effectively on the same day. Ganzi Changhe and our other data centers in Sichuan have suspended their operations since June 21, 2021. Our operations in Sichuan, including Ganzi Changhe, generated revenue of approximately US\$11.4 million, representing approximately 2.6% of our total revenues for the second quarter of 2021. As of the date of this annual report, we have ceased all operations relating to data centers and cryptocurrency mining in China.

On July 12, 2021, we entered into a securities purchase agreement with certain investors to raise US\$50 million to acquire additional mining machines, build new data centers in international markets, expand infrastructure, and improve working capital position. The private placement transaction was closed on July 16, 2021.

On July 23, 2021, we terminated the contractual arrangements with the lottery-related affiliated entities and Zhejiang Keying. The lottery-related affiliated entities have been deconsolidated and their financial results have no longer been included in our consolidated financial statements for the third quarter of 2021 since the termination of the related VIE structures. In February 2022, the then subsidiaries of Zhejiang Keying deregistered their respective IDC licenses, and Zhejiang Keying completed the transfer of equity interests of its then subsidiaries to Loto Shenzhen. In the same month, we completed the formal SAIC registration of the disposal of the subsidiaries under the former variable interest entity structure. Accordingly, as of the date of this annual report, we do not maintain any VIE structure in China.

On September 22, 2021, we entered into the Ohio Mining Site Agreement with Viking Data Centers to jointly invest in the development of the Ohio Mining Site. In October 2021, we increased our investment in the Ohio Mining Site and brought its total planned power capacity up to 150 megawatts. As we intend to devote more resources to the Ohio Mining Site and improve its operational efficiency, we have terminated our Texas cryptocurrency mining data center cooperation with Dory Creek, LLC, with whom we entered into an investment term sheet in May 2021. In order to increase the cost efficiency of our mining business, we disposed of certain old model mining machines with a total hash rate capacity of 610.7 PH/s. As of the date of this annual report, 50 megawatts have been completed and in operation.

On October 14, 2021, we announced that our mining pool subsidiary, BTC.com, would completely exit the China market, cease registering new users from China and start to retire accounts of existing mining pool customers from China. We completed the acquisition of the entire mining pool business of Bitdeer Technologies Holding Company operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com, on April 15, 2021. Due to BTC.com's discontinuation of service to mining pool customers in China, we saw a decrease of approximately 14% in hash rate for the three months ended December 31, 2021. We are working on solutions with our existing mining pool customers in China, such as migrating such mining pool customers' mining machines to overseas markets, so that they may access our services in a compliant manner.

### **COVID-19 Relief and Late Filing**

On April 29, 2020, the Company filed a Current Report on Form 6-K, or the COVID-19 Relief 6-K, in compliance with and reliance upon the SEC's Order under Section 36 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, granting Exemptions from Specified Provisions of the Exchange Act and certain Rules thereunder (Release No. 34-88318), dated March 4, 2020, or the Relief Order.

The Company opted to rely on the Relief Order to delay the filing of its Annual Report on Form 20-F for the fiscal year ended December 31, 2019, or the 2019 Annual Report, due to circumstances related to COVID-19. Absent the Relief Order, the 2019 Annual Report was due to be filed by April 30, 2020.

The Company was unable to file the 2019 Annual Report on a timely basis as a result of, among other things, travel restrictions, quarantines and staffing issues due to circumstances related to COVID-19. The Company's headquarters were formerly located in Shenzhen, China. Following the outbreak of COVID-19, the PRC government introduced temporary travel restrictions and mandatory quarantines aimed at preventing the spread of COVID-19 within China. While some of these restrictions and quarantines were relaxed in certain areas, the Company took pro-active measures to help protect its employees by implementing self-quarantine measures of at least 14 days for employees that traveled from other regions within China before they were allowed to report to the Company's offices.

As of April 29, 2020, the date of the COVID-19 Relief 6-K, Friedman LLP, the Company's former independent registered public accounting firm, had not completed its audit of the Company's financial statements and audit of the Company's internal control over financial reporting as of December 31, 2019, due to the impact of COVID-19.

On December 31, 2019, the Company announced that its board of directors had formed a Special Investigation Committee, or the SIC, to internally investigate alleged illegal money transfers and the role played by consultants following the arrest of one consultant (also a former director of the Company's subsidiary in Japan) and two former consultants by the Tokyo District Public Prosecutors Office. On January 16, 2020, the Company announced that the SIC had retained King & Wood Malleons LLP as its legal advisor to assist with its internal investigation. As of April 29, 2020, the date of the COVID-19 Relief 6-K, the internal investigation being conducted by King & Wood Malleons LLP was still in progress.

As a result of the foregoing, the Company was unable to timely file its 2019 Annual Report by April 30, 2020. The Company supplemented its 2019 Annual Report with an additional risk factor relating to COVID-19.

The Company filed a Form 12b-25 with the SEC on June 15, 2020 for late filing of its 2019 Annual Report. Absent the Form 12b-25, the 2019 Annual Report was due to be filed by June 15, 2020, pursuant to the COVID-19 Relief 6-K dated April 29, 2020. As of June 15, 2020, the date of the Form 12b-25 filing, the internal investigation being conducted by King & Wood Malleons LLP was still in progress. Accordingly, the Company was then unable to conclude what impact it may have on the Company's financial statements and internal control over financial reporting. In addition, Friedman LLP, the Company's former independent registered public accounting firm, had not completed its audit of the Company's financial statements and audit of the Company's internal control over financial reporting as of December 31, 2019, due to the impact of COVID-19 and because the abovementioned internal investigation was still in progress.

As of July 1, 2020, the Company was delinquent in filing its 2019 Annual Report with the SEC. Pursuant to the Form 12b-25 filing dated June 15, 2020, the 2019 Annual Report was due to be filed by June 30, 2020. On July 1, 2020, the Company received an expected notice from NYSE Regulation stating that the Company is not in compliance with the NYSE's continued listing requirements under the timely filing criteria pursuant to Section 802.01E of the NYSE Listed Company Manual as a result of the Company's failure to timely file the 2019 Annual Report with the SEC. As required by the notice, (a) a representative of the Company contacted the NYSE on July 1, 2020 to discuss the status of the 2019 Annual Report, and (b) the Company issued a press release dated July 7, 2020, disclosing the status of the 2019 Annual Report, noting the delay and the reason for the delay, as mentioned above. The anticipated filing date of the 2019 Annual Report was not then known. NYSE Regulation notified the Company that the NYSE would closely monitor the status of the Company's late filing and related public disclosures for up to a six-month period from the due date of the 2019 Annual Report, or December 31, 2020, and that the Company would need to timely file its 2019 Annual Report and any subsequent delayed filings by December 31, 2020.

On September 23, 2020, Friedman LLP resigned as the Company's auditor. The Company appointed MaloneBailey, LLP on September 27, 2020 to conduct an audit of the Company's consolidated financial statements for the fiscal year ended December 31, 2019 and effectiveness of its internal control as of December 31, 2019, and to re-audit the Company's consolidated financial statements for each of the fiscal years ended December 31, 2017 and 2018. The Company announced the resignation of Friedman LLP and the appointment of MaloneBailey, LLP in a press release dated September 28, 2020. See "Item 16F. Change in Registrant's Certifying Accountant."

On October 7, 2020, the Company announced that the SIC of the Company's Board completed its internal investigation. King & Wood Mallesons LLP presented its investigation review to SIC on October 7, 2020. Based on the findings and analyses in the review by King & Wood Mallesons LLP, the SIC concluded that it did not find a sufficient basis to establish a violation of the U.S. Foreign Corrupt Practices Act of 1977 in connection with the Company's prior activities in Japan. The SIC also reviewed the Company's compliance policies, procedures and internal controls in light of the suggestions from King & Wood Mallesons LLP. The Company updated such policies, procedures and internal controls based on recommendations from the SIC, and will continue to enhance its internal controls as appropriate.

Once the abovementioned internal investigation was completed, the Company's financial statements for the fiscal year ended December 31, 2019 were finalized, the re-audit of the Company's consolidated financial statements for each of the fiscal years ended December 31, 2017 and 2018 was completed, and both the Company and MaloneBailey, LLP have completed their assessment of the Company's internal control over financial reporting as of December 31, 2019, the Company filed its 2019 Annual Report on December 11, 2020.

On December 15, 2020, the Company received a notice from NYSE Regulation, dated December 14, 2020, acknowledging the Company's filing of its 2019 Annual Report, and confirming that effective December 15, 2020, the Company would be removed from the NYSE's late filers' list.

### **Principal Offices**

Our principal executive offices are located at Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong. Our telephone number at this address is +(852) 5987 5938 and our fax number is +(852) 2360 9738. Our registered office in the Cayman Islands is at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. Our websites are <https://www.btc.com>. Our agent for service of process in the United States was previously Law Debenture Corporate Services Inc. located at 801 2nd Avenue, Suite 403, New York, New York 10017, U.S.A. We appointed Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, New York 10168, U.S.A., as our successor agent for service of process in the United States, effective as of and after April 9, 2021.

### **B. Business Overview**

#### **Overview**

We intend to become a leading cryptocurrency mining enterprise. We began our transformation from a China-based lottery company into an international cryptocurrency mining company since December 2020 through the acquisition of (1) certain cryptocurrency mining machines, (2) a controlling stake in Loto Interactive Limited (HKEX: 08198) ("Loto Interactive"), and (3) the entire mining pool business of Bitdeer Technologies Holding Company operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com.

BIT Mining Limited, our ultimate Cayman Islands holding company, holding certain of our digital assets in connection with our cryptocurrency mining business and indirectly holding the equity interest in our subsidiaries in China and other countries and regions. We voluntarily suspended our online sports lottery sales services in April 2015. We have previously conducted our lottery-related business in China through a series of contractual arrangements, also commonly known as the variable interest entity, or VIE structure, with several PRC-incorporated companies (i.e., Shenzhen Youlangang Science and Technology Co., Ltd., Shenzhen E-Sun Network Co., Ltd., and Shenzhen Guangtiandi Science and Technology Co., Ltd.) (collectively, the “lottery-related affiliated entities”), and their respective registered shareholders. Between March 31 and July 23, 2021, we also consolidated the financial results of a PRC-incorporated company (i.e., Zhejiang Keying Huancai Information Technology Co., Ltd.) (“Zhejiang Keying”), which is primarily engaged in the provision of data analysis and storage services in connection with our now suspended cryptocurrency mining operations in China, through a similar VIE structure with Loto Interactive Information Technology (Shenzhen) Co., Ltd. (“Loto Shenzhen”), which became an indirect majority-owned subsidiary following the completion of our acquisition of a controlling stake in Loto Interactive on March 31, 2021. On July 23, 2021, we terminated the contractual arrangements with the lottery-related affiliated entities and Zhejiang Keying. The lottery-related affiliated entities have been deconsolidated and their financial results have no longer been included in our consolidated financial statements for the third quarter of 2021 since the termination of the related VIE structures. In February 2022, the then subsidiaries of Zhejiang Keying deregistered their respective IDC licenses, and Zhejiang Keying completed the transfer of equity interests of its then subsidiaries to Loto Shenzhen. In the same month, we completed the formal SAIC registration of the disposal of the subsidiaries under the former variable interest entity structure. Accordingly, as of the date of this annual report, we do not maintain any VIE structure in China.

We operate cryptocurrency mining machines for the sole purpose of mining cryptocurrencies (primarily bitcoin and ethereum). Our mining machines are operating with the primary intent of accumulating bitcoin which we may sell for fiat currency from time to time depending on market conditions and management’s determination of our cash flow needs.

As of the date of this annual report, the theoretical maximum total hash rate capacity of our Bitcoin mining machines is approximately 825.5 PH/s. We have deployed bitcoin mining machines with a total hash rate capacity of 292.7 PH/s, of which 139.1 PH/s have been deployed in data centers and the remainder have been fine-tuned and are waiting to be deployed in Kazakhstan, and with a total hash rate capacity of 532.8 PH/s, of which 353.1 PH/s have been deployed in data centers and the remainder have been fine-tuned and are waiting to be deployed in the U.S., respectively. For the year ended December 31, 2021, we produced 400 Bitcoins from our Bitcoin cryptocurrency mining operations, and recognized revenue of approximately US\$20.3 million. As of the date of this annual report, we have produced 575 Bitcoin in aggregate.

As of the date of this annual report, the theoretical maximum total hash rate capacity of our Ethereum mining machines is approximately 4,800.0 GH/s, of which 4,699.2 GH/s have been deployed. For the year ended December 31, 2021, we produced 4,743 Ethereum from our Ethereum cryptocurrency mining operations, and recognized revenue of approximately US\$19.0 million. As of the date of this annual report, we have produced 10,504 Ethereum in aggregate.

We measure our mining performance based on the overall hash rate being produced by our mining machines. The above information regarding approximate maximum hashing rates are estimates only and the actual outputs of the mine are subject to changes based in part on the difficulty rates associated with the bitcoin network, as well as other conditions that impact our mining output.

We operate mining machines that perform blockchain computations measured in “hash rate” or “hashes per second.” A “hash” is the blockchain computation run by mining machines. Accordingly, a mining machine’s “hash rate” refers to the rate at which it can solve such blockchain computations. The original equipment used for mining bitcoin utilized the Central Processing Unit (CPU) of a computer to mine various forms of cryptocurrency. Due to performance limitations, CPU mining was rapidly replaced by the Graphics Processing Unit (GPU), which offers significant performance advantages over CPUs. General purpose chipsets like CPUs and GPUs have since been replaced in the mining industry by Application Specific Integrated Circuits (ASIC) chips. These ASIC chips are designed specifically to maximize the rate of hashing operations.

In terms of our data center business, in September 2021 we entered into a Membership Interest Purchase Agreement and certain other auxiliary agreements (the “Ohio Mining Site Agreements”) with Viking Data Centers, LLC (“Viking Data Centers”) to acquire a 51% equity interest in a cryptocurrency mining data center in Ohio (the “Ohio Mining Site”) with power capacity of up to 85 megawatts. In October 2021, we increased our investment in the Ohio Mining Site and brought its total planned power capacity up to 150 megawatts. Upon the successful execution of the increased investment, the Company’s equity interest in the Ohio Mining Site increased to 55%, and Viking Data Centers held the remaining 45%. As of the date of this annual report, 50 megawatts have been completed and in operation. The data center in Hong Kong, with a maximum capacity of approximately 1.4 megawatts, has been operational and mining ETH since October 2021. The Company has terminated its data center construction plan in Kazakhstan, which was announced in May 2021, due to the unstable local power supply. The Company’s Bitcoin mining machines which were deployed in third-party data centers in Kazakhstan, remain in operation and have not been impacted.

On October 14, 2021, the Company announced that its mining pool subsidiary, BTC.com, would completely exit the China market, cease registering new users from China and start to retire accounts of existing users from China. The Company has been working on solutions with its existing users in China, such as migrating users’ mining machines to overseas markets so that they have access to our services in a compliant manner.

## **Our Business**

We are primarily engaged in cryptocurrency mining for our own account, data center operation to host cryptocurrency mining activities, and cryptocurrency mining pool services. We have adopted the development strategy to focus on the expansion of our blockchain and cryptocurrency mining operations in international markets outside the PRC. As of the date of this annual report, we no longer have any revenue-generating operation in the PRC.

### ***Cryptocurrency Mining Business***

We currently operate cryptocurrency mining machines for the sole purpose of mining cryptocurrencies (primarily Bitcoin and Ethereum), which we may sell for fiat currency for our own account from time to time depending on market condition and management's determination of our cash flow needs. As of the date of this annual report, we have completed the migration of all of our Bitcoin mining machines primarily to the United States and, to a lesser extent, Kazakhstan. As of the date of this annual report, (1) the theoretical maximum total hash rate capacity of our Ethereum mining machines, all of which are located outside of the PRC, is 4,800.0 GH/s, and Ethereum mining machines with capacity of 4,699.2 GH/s have been deployed; and (2) the theoretical maximum total hash rate capacity of our Bitcoin mining machines, all of which are located outside of the PRC, is approximately 825.5 PH/s, and Bitcoin mining machines with capacity of 492.2 PH/s have been deployed. None of our Ethereum mining machines is located in Kazakhstan. In order to increase the cost efficiency of our mining business, we disposed of certain old model mining machines with a total hash rate capacity of 610.7 PH/s.

We currently have Bitcoin mining machines with a theoretical maximum total hash rate capacity of 532.8 PH/s in the United States, of which 353.1 PH/s have been operating in data centers and the remainder have been tuned and are ready for deployment. In Kazakhstan, we have Bitcoin mining machines with a theoretical maximum total hash rate capacity of 292.7 PH/s, of which 139.1 PH/s have been operating and the remainder have been tuned and are ready for deployment.

### ***Data Center Services***

We operate data centers which provide rack space, utility, and cloud services such as virtual services, virtual storage and data backup services to third-party cryptocurrency mining companies. Our data centers also host a number of our own cryptocurrency mining machines. We typically charge our customers a monthly service fee, which factors into, among others, the number of machines hosted in our facilities, utility costs and other associated expenses in connection with the operations of our data centers. The service fees for our data center services are settled in fiat currency.

We used to conduct our data center business in China through Loto Interactive and its subsidiaries. After suspending the operations of two data centers in Sichuan province, China, we have migrated our data center operation overseas and are currently in the process of investing in or constructing cryptocurrency mining data centers in overseas jurisdictions outside of China. In September 2021, we entered into a Membership Interest Purchase Agreement and certain other auxiliary agreements (the “Ohio Mining Site Agreements”) with Viking Data Centers, LLC (“Viking Data Centers”) to jointly invest in the development of a cryptocurrency mining data center in Ohio (the “Ohio Mining Site”) with power capacity of up to 85 megawatts. In October 2021, we increased our investment in the Ohio Mining Site and brought its total planned power capacity up to 150 megawatts. We currently expect to complete the Ohio Mining Site in May 2022. As of the date of this annual report, 50 megawatts has been completed and in operation in the Ohio Mining Site. We have also been growing our operations in Hong Kong. Our data center in Hong Kong with a maximum processing capacity of approximately 1.4 megawatts, has commenced operations since October 2021. We expect our international operations to contribute most of our revenues going forward. For the risks and uncertainties relating to our international operation development and expansion, and the regulatory and policy environment affecting our blockchain and cryptocurrency mining business and our remaining operations in China, see “Risk Factors — Risks Related to Our Business and Industry — It may be or become illegal to acquire, own, hold, sell or use cryptocurrencies, participate in the blockchain, or transfer or utilize similar cryptocurrency assets in China or international markets where we operate due to adverse changes in the regulatory and policy environment in these jurisdictions.”

### ***Mining Pool Services***

We operate our cryptocurrency mining pool business through BTC.com, a leading multi-currency comprehensive service mining pool that supports mining activities for primarily bitcoin and ethereum, among other cryptocurrencies on a proof-of-work (POW) computing basis. We enable effective collaboration among the providers of computing power, or pool participants, to mine cryptocurrencies in the blockchain network, by coordinating the computing power of pool participants and identifying new block rewards. We collect all mining rewards which are stored in a secured digital wallet maintained by an established third-party digital asset financial services platform, and then assign mining rewards, net of pool operator fees that represent a small percentage of mining rewards, to pool participants in proportion to the hash rate contributed by each of them to a given successful mining transaction. The mining rewards include block rewards and transaction verification fees related to the transactions included in the block, depending on the sharing mechanism designated for the type of cryptocurrency mined in such transaction. All mining rewards are settled on a daily basis through distributions to the pool participants’ respective digital wallets, in the respective cryptocurrencies mined in each transaction under the mining pool policies. If the pool participants are unable to meet the minimum reward thresholds, trigger security alerts, fail to provide us with the necessary public key to their wallets, or otherwise breach our mining pool policies, their mining rewards will be withheld until such issues are resolved.

Each pool participants must create a user account with us, which contains information such as sub-accounts, types of cryptocurrency intended to mine, server information of such pool participant’s mining machines, and addresses of its own digital wallet(s). The sub-account is unique to each pool participant, and we determine the ownership of mining machines in our mining pool based on the sub-account associated with the specific machine. After mining machines are connected to and included in our mining pool, pool participants can view the real-time hash rate allocation and income generated from their mining machines.

We do not provide custody services in connection with our mining pool services, nor do we maintain a custody arrangement with our customers. Before allocating mining rewards to pool participants based on their respective contribution of computing power, digital assets mined by pool participants, together with cryptocurrencies mined by ourselves, are store in a secured digital wallet maintained by an established third-party digital asset financial services platform, which utilizes enterprise multi-signature storage solution to safeguard and monitor the transfer of digital assets. Such enterprise multi-signature storage solution requires multiple keys maintained by separate accounts and different authorized individuals to approve each transaction. We have also subscribed for custody services supported by hardware and software infrastructure, as well as security controls over key generation, storage, management and transaction signature on such third-party digital asset financial services platform.

Since October 2021, due to regulatory changes in the PRC, we have ceased registering new mining pool customers from China and retired accounts of existing mining pool customers from China. For the year ended December 31, 2021, our mining pool business generated a significant majority of our total revenue.

## **Our Digital Assets**

We hold for our own account digital assets mined through our cryptocurrency mining operation, which consist primarily of Bitcoin and Ethereum. We also acquire other types of cryptocurrencies, such as Dogecoin, as commissions from our mining pool operation. As of the date of this annual report, we hold Bitcoin, Ethereum and Dogecoin, which are the only digital assets individually accounts for more than 1.0% of our total assets as of December 31, 2021. These three specific digital assets in the aggregate account for less than 10.8% of our total assets as of December 31, 2021. As of the date of this annual report, the other digital assets that we hold collectively represent less than 2.0% of our total assets as of December 31, 2021, with no single digital asset (excluding Bitcoin, Ethereum and Dogecoin) individually representing more than 1.0% of our total assets as of December 31, 2021. As of the date of this annual report, we hold 329 Bitcoins, 3,208 Ethereum and 53.0 million Dogecoin.

Our digital assets are held through BIT Mining Limited, our ultimate Cayman Islands holding company, as well as our consolidated subsidiaries in Hong Kong. As of the date of this annual report, our digital assets have an aggregate carrying value of approximately US\$36.3 million, calculated based on the quoted price of the respective cryptocurrencies on the date of receipt, with impairment provided. As we settle mining rewards with pool participants on a daily basis, the value of the to-be-distributed mining rewards is recorded as accounts payable for accounting purposes. As of the date of this annual report, we record US\$43.4 million in accounts payable in connection with our mining pool business.

Our cryptocurrency business focuses on mining cryptocurrencies for our own account, operating data centers to host our and customers' mining machines, and providing mining pool services to customers. We do not facilitate the trading of, or investing in, cryptocurrencies, although we may sell digital assets mined by us for fiat currency for our own account from time to time. We intend to mine cryptocurrencies that are generally not deemed as "securities." The SEC and its staff have taken the position that certain digital assets fall within the definition of a "security" under the U.S. federal securities laws. Public statements by senior officials at the SEC indicate that the SEC does not intend to take the position that Bitcoin or Ethereum, in their current form, are securities. However, such statements are not official policy statements by the SEC and reflect only the speakers' views, which are not binding on the SEC or any other agency or court, and cannot be generalized to any other digital asset, such as Dogecoin. In accordance with a framework for analyzing whether a given digital assets is a security, published by the SEC's Strategic Hub for Innovation and Financial Technology in April 2019, we would need to determine whether each of the digital assets acquired and held by us is an "investment contract," as well as other instruments such as stocks, bonds, and transferable shares.

We intend to consult counsel prior to attempting to mine any cryptocurrency other than those that are generally not considered as "securities," such as Bitcoin and Ethereum, in order to avoid inadvertently dealing in a cryptocurrency which may be deemed a security. We anticipate that, should we consider mining a cryptocurrency other than those that are generally not considered as "securities," we will seek the advice of securities counsel, and the process will include research, review and analysis of the current federal securities laws and regulations regarding digital assets, including judicial interpretations and administrative guidance. However, the processes employed for determining whether particular digital assets are securities within the meaning of U.S. federal securities laws are risk-based assessments and are not a legal standard or binding on the SEC or other regulators. See "Risk Factors— Risks Related to Our Business and Industry—A particular digital asset's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty, and if we are unable to properly characterize a digital asset, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, results of operations and/or financial condition." We recognize that whether a digital asset is a security is a complex and evolving legal issue. For that reason, we have no plan in the foreseeable future to mine anything other than cryptocurrencies that are generally not considered as "securities." However, if our compliance procedures and legal reviews prove to be incorrect, we may be subject to prohibitive SEC penalties and/or private lawsuit defense costs and adverse rulings.

## **Legal and Administrative Proceedings**

On September 12, 2016, we entered into a settlement agreement with certain plaintiffs who brought a stockholder class action lawsuit in the U.S. District Court for the Central District of California, shareholders' litigation in February 2015. In 2016, we paid US\$1.5 million for the settlement, and the remaining US\$1.0 million was covered by the insurance company.

In connection with our acquisition of a 93% equity interest in TMG in 2017, we entered into a shareholders' agreement with Helmet Limited, or Helmet, which owns the remaining 7% equity interest (post-acquisition) in TMG. Pursuant to this shareholders' agreement, if Thomas Biro resigns from his employment with TMG, or his employment is terminated for whatever reason, Helmet has the right to request that we, on one occasion, purchase all or some of the TMG shares then held by Helmet. This right is exercisable within one year from the aforementioned resignation. However, such right is not exercisable if Mr. Biro resigns before December 31, 2018. When the notice to exercise such right is delivered, we and Helmet shall, within 30 business days, establish a fair market value as the purchase price for the TMG shares subject to sale. If both parties fail to reach an agreement during such period, the fair market value of those TMG shares will be decided by an independent valuation expert appointed by both parties. If the parties are not able to decide on an independent valuation expert, such expert shall be appointed in accordance with the dispute resolution provisions under the shareholders' agreement.

In early 2019, we received a redemption notice from Helmet, requesting us to purchase the 7% equity interest in TMG held by Helmet at a redemption price of EUR3,745,000. We and Helmet failed to reach an agreement as to the purchase price for the TMG shares within 30 business days of the notice. Helmet has referred the dispute to arbitration by a local court in Malta, and we have engaged attorneys to represent us in the arbitration. The worst-case scenario is that we ultimately may be required to purchase the TMG shares held by Helmet at the redemption price of EUR3,745,000. Accordingly, after receiving the redemption notice we adjusted the carrying amount of the 7% redeemable noncontrolling interest to equal to the redemption amount of EUR3,745,000 as of December 31, 2018. On April 10, 2020, we reached a settlement agreement to purchase the 7% equity interest in TMG held by Helmet at a final redemption price of EUR1,900,000. We fully paid this final redemption price on April 20, 2020. We adjusted the carrying amount of the 7% redeemable noncontrolling interest to equal to the final redemption amount of EUR1,900,000 as of December 31, 2019. Other than this adjustment as reflected and disclosed in our consolidated financial statements for 2018 and 2019, we do not expect to incur other liabilities in connection with the aforementioned arbitration.

Our board of directors formed a Special Investigation Committee, or SIC, and retained King & Wood Mallesons LLP as legal advisor to assist the internal investigation into the role played by the Company's former external consultants in alleged illegal money transfers following their arrest by the Tokyo District Public Prosecutors Office. The SIC was composed of Mr. Shengwu Wu, chairman of the board, Dr. Honghui Deng and Ms. Wong, Angel Yan Ki, each an independent director. On October 7, 2020, the Company announced that the SIC of the Company's Board completed its internal investigation. KWM presented its investigation review to SIC on October 7, 2020. Based on the findings and analyses in KWM's review, the SIC concluded that it did not find a sufficient basis to establish a violation of the U.S. Foreign Corrupt Practices Act of 1977 in connection with the Company's prior activities in Japan. The SIC also reviewed the Company's compliance policies, procedures and internal controls in light of the suggestions from KWM. The Company updated such policies, procedures and internal controls based on recommendations from the SIC, and will continue to enhance its internal controls as appropriate.

On February 13, 2020, a securities class action lawsuit was filed against BIT Mining Limited and certain of our current and former officers (collectively, "Defendants") by Yang Jun, a shareholder of the Company, in the United States District Court for the Eastern District of New York. The complaint purports to assert claims on behalf of a class comprising purchasers of our ADSs during the proposed class period from April 27, 2018 to December 31, 2019. On March 26, 2020, the Court appointed Company shareholder Brian Xuan as the lead plaintiff in the lawsuit. In June 2020, the lead plaintiff filed an amended complaint. In November 2020, the lead plaintiff filed a second amended complaint. The claims raised in the first amended complaint do not differ materially from those raised in the original complaint. The second amended complaint raises the same claims as the first amended complaint, but alleges additional facts in support of those claims. On December 21, 2020, the Company served its Motion to Dismiss the second amendment complaint ("Motion to Dismiss"). On January 20, 2021, lead plaintiff served its opposition to the Company's Motion to Dismiss. On February 19, 2021, the Company filed all papers associated with its Motion to Dismiss, including the Company's reply in further support of the Motion to Dismiss. The Group believe it has meritorious defenses to each of the claims in this lawsuit and is prepared to vigorously defend against its allegations. On August 13, 2021, a Report and Recommendation that the Motion to Dismiss was granted was issued. Plaintiffs filed objections to the Report and Recommendation on August 27, 2021 and the defendants responded on September 10, 2021. On September 20, 2021, the Court dismissed the case and the Clerk of the Court is directed to enter judgment consistent with this Order and close the case. As such, this case was now terminated.

On January 15, 2020, a securities class action lawsuit, making allegations virtually identical with the abovementioned lawsuit filed on February 13, 2020, was filed in the United States District Court for the District of New Jersey by Fengjun Sun. On March 23, 2020, Fengjun Sun noticed his voluntary dismissal of this case, and on April 8, 2020, the clerk of the Court was ordered to close the case file. As such, this case was terminated.



Other than as described above, we are not currently a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, could have a material adverse effect on our business, financial condition or results of operation.

The approval or clearance from either the CSRC or the CAC for any offering we or the selling shareholders may make under this annual report and any applicable annual report supplement, and we do not intend to obtain the approval or clearance from either the CSRC or the CAC in connection with any such offering, since we do not believe, based on advice of our PRC counsel, JunZeJun Law Offices, that such approval or clearance is required under these circumstances or for the time being. We cannot assure you, however, that regulators in China will not take a contrary view or will not subsequently require us to undergo the approval or clearance procedures and subject us to penalties for non-compliance. See “Risk Factors—Risks Related to Doing Business in China—Recent regulatory developments in China may subject us to additional regulatory review and disclosure requirements, expose us to government interference, or otherwise restrict or completely hinder our ability to offer securities and raise capitals outside China, all of which could materially and adversely affect our business, and cause the value of our securities to significantly decline or become worthless.”

Our financial statements contained in the annual report on Form 20-F for the year ended December 31, 2021 have been audited by MaloneBailey, LLP, an independent registered public accounting firm that is headquartered in the United States with offices in Beijing and Shenzhen. MaloneBailey, LLP is a firm registered with the U.S. Public Company Accounting Oversight Board (the “PCAOB”), and is required by the laws of the U.S. to undergo regular inspections by the PCAOB to assess its compliance with the laws of the U.S. and professional standards. MaloneBailey, LLP has been subject to PCAOB inspections, and is not among the PCAOB-registered public accounting firms headquartered in the PRC or Hong Kong that are subject to PCAOB’s determination on December 16, 2021 of having been unable to inspect or investigate completely.

However, our audit work was carried out by MaloneBailey, LLP with the collaboration of its China-based offices. According to Article 177 of the PRC Securities Law (last amended in March 2020), no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities in China. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to overseas parties. Therefore, the audit working papers of our financial statements may not be fully inspected by the PCAOB without the approval of the PRC authorities. Our ADSs could still be delisted from a U.S. exchange and prohibited from being traded over-the-counter in the United States under the Holding Foreign Companies Accountable Act (the “HFCA Act”) if the PCAOB determines in the future that it is unable to fully inspect or investigate our auditor which has a presence in China. The delisting or cessation of trading of our ADSs, or the threat of their being delisted or prohibited from being traded, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections. See “Risk Factors—Risks Related to Doing Business in China— Our ADSs could still be delisted from a U.S. exchange and prohibited from being traded over-the-counter in the United States under the HFCA Act if the PCAOB determines in the future that it is unable to fully inspect or investigate our auditor which has a presence in China, and the delisting and cease of trading our ADSs, or the threat of their being delisted or prohibited from being traded, may materially and adversely affect the value of your investment.”

### **M&A Regulations and Overseas Listings**

On August 8, 2006, six PRC regulatory authorities, including the CSRC, promulgated the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors, which were later amended on June 22, 2009, or the 2006 M&A Rules. Pursuant to the 2006 M&A Rules, an offshore special purpose vehicle, or SPV, refers to an overseas company controlled directly or indirectly by PRC domestic companies or individuals for purposes of overseas listing of equity interests in domestic companies (defined as enterprises in the PRC other than foreign-invested enterprises). If an SPV purchases, for the purpose of overseas listing, equity interests of any PRC company that are held by PRC companies or individuals controlling such SPV, then the overseas listing by the SPV must obtain the approval of the CSRC. The application of the 2006 M&A Rules remains unclear and there is currently no consensus among PRC law firms regarding the scope of CSRC’s jurisdiction. As of the date of this annual report, the CSRC has not issued any rules or written interpretation clarifying whether offerings like ours are subject to this new procedure.

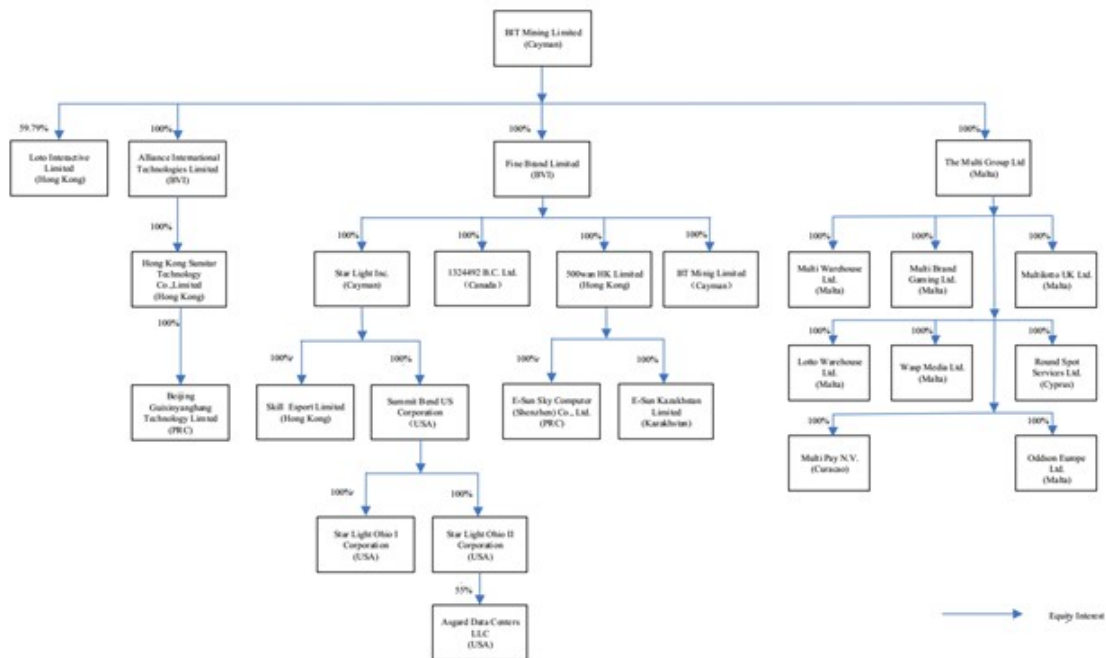
Our then PRC counsel, Han Kun Law Offices, has advised us that the 2006 M&A Rules do not require us to obtain prior CSRC approval for the listing and trading of our ADSs on the NYSE, given that:

- the CSRC approval requirement applies to SPVs that acquired equity interests of any PRC company that are held by PRC companies or individuals controlling such SPV and seek overseas listing; and

- our PRC operating subsidiary was incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our company of the equity interest or assets of any “domestic company” as defined under the 2006 M&A Rules, and no provision in the 2006 M&A Rules classifies the contractual arrangements between our company, our PRC operating subsidiary and any of the affiliated consolidated entities, including, among others, the Equity Interests Pledge Agreements and the Shareholder’s Voting Power Assignment Agreement, either by each agreement itself or taken as a whole, as a type of acquisition transaction falling under the 2006 M&A Rules.

**C. Organizational Structure**

The following diagram illustrates our company’s organizational structure, and the place of formation, ownership interest and affiliation of each of our principal subsidiaries and affiliated entities as of the date of this annual report.



**D. Property, Plants and Equipment**

Our principal executive offices are located at Units 813&815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong and occupy a total of 1,371.6 square meters. We also have representative offices in USA and Shenzhen. We lease our premises from unrelated third parties. Each of the lessors for the leased premises either has a valid title to the property or has proper authorization from the title owner to sublease the property.

In September 2016, we entered into a lease agreement with Shenzhen Harbor Technology Development Co., Ltd., to lease offices of 9,659 square meters in Nanshan District, Shenzhen, with a total expenditure of RMB1.3 million (US\$0.2 million) per month. We have gradually and partially terminated our leases with respect to certain amounts of office space, reducing our total leased office space from 9,659 square meters to 2,176 square meters between August 2020 and January 2021, with the 2,176 square-meter space incurring a total expenditure of US\$20,000 per month. In January 2022, we entered into a lease agreement to lease offices of 384 square meters in New York with an expenditure of US\$50,000 per month.

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties.

Forward-looking statements relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. The forward-looking statements are contained principally in the sections entitled “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects.” These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as “may,” “will,” “expect,” “anticipate,” “future,” “intend,” “plan,” “believe,” “estimate,” “is/are likely to” or other and similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- our goals and strategies;
- our future business development, financial condition and results of operations;
- our expectations regarding demand for and market acceptance of our services;
- our plans to enhance user experience, infrastructure and service offerings;
- competition in our industry; and
- relevant government policies and regulations relating to our industry.

The forward-looking statements relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

Beginning in early 2020, there was an outbreak of a novel strain of coronavirus, later named COVID-19 globally. In March 2021, the World Health Organization declared COVID-19 to be a pandemic. The extent to which COVID-19 impacts our business, results of operations and financial condition will depend on ongoing and future developments, including new information concerning its global severity, new regulations and policies adopted and actions taken in response, all of which are highly uncertain and unpredictable.

### **A. Operating Results**

#### **Overview**

We intend to become a leading cryptocurrency mining enterprise. We began our transformation from a China-based lottery company into an international cryptocurrency mining company since December 2020 through the acquisition of (1) certain cryptocurrency mining machines, (2) a controlling stake in Loto Interactive Limited (HKEX: 08198) (“Loto Interactive”), and (3) the entire mining pool business of Bitdeer Technologies Holding Company operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com.

BIT Mining Limited, our ultimate Cayman Islands holding company, holding certain of our digital assets in connection with our cryptocurrency mining business and indirectly holding the equity interest in our subsidiaries in China and other countries and regions. We voluntarily suspended our online sports lottery sales services in April 2015. We have previously conducted our lottery-related business in China through a series of contractual arrangements, also commonly known as the variable interest entity, or VIE structure, with several PRC-incorporated companies (i.e., Shenzhen Youlangang Science and Technology Co., Ltd., Shenzhen E-Sun Network Co., Ltd., and Shenzhen Guangtiandi Science and Technology Co., Ltd.) (collectively, the “lottery-related affiliated entities”), and their respective registered shareholders. Between March 31 and July 23, 2021, we also consolidated the financial results of a PRC-incorporated company (i.e., Zhejiang Keying Huancai Information Technology Co., Ltd.) (“Zhejiang Keying”), which is primarily engaged in the provision of data analysis and storage services in connection with our now suspended cryptocurrency mining operations in China, through a similar VIE structure with Loto Interactive Information Technology (Shenzhen) Co., Ltd. (“Loto Shenzhen”), which became an indirect majority-owned subsidiary following the completion of our acquisition of a controlling stake in Loto Interactive on March 31, 2021. On July 23, 2021, we announced our decision to dispose of our VIE structures in China, and as of the date of this annual report, we have terminated all of our VIE structures with our lottery-related affiliated entities and Zhejiang Keying, and we have completed the transfer of equity interests of the subsidiaries of Zhejiang Keying to Loto Shenzhen where Zhejiang Keying did not hold material assets other than the equity interests of its subsidiaries. The lottery-related affiliated entities have been deconsolidated and their financial results will no longer be included in our consolidated financial statements for the third quarter of 2021 following the termination of the related VIE structures. Accordingly, as of the date of this annual report, we do not maintain any VIE structure in China. The results of operations and assets and liabilities for this VIE structure are excluded from the company’s continuing operations for the fiscal year 2021 (and for all prior periods of comparison) and presented as a discontinued operation in this report. See Note 4 – Discontinued Operations, of the consolidated financial statements for further details. For the risks and uncertainties relating to the termination of our previous VIE structures in China, see “Risk Factors—Risks Related to Doing Business in China—Our efforts to adjust our corporate structure and business operations, including the termination of our previous VIE structures and the exit of our mining pool business from China, may not be completed in a liability-free manner, and we may still be subject to cybersecurity review by the CAC, or deemed to be in violation of PRC laws regulating our industry and operations.”

As of the date of this annual report, we have no PRC-sourced revenue, and our remaining operations in the PRC primarily involve the provision of administrative supports to our cryptocurrency mining business outside the PRC, as well as internal information technology services to our operating entities and mining pools outside the PRC. Based on advice of our PRC counsel, JunZeJun Law Offices, we believe we have obtained the business licenses and permits required for our remaining non-revenue generating operations in the PRC. In addition, certain subsidiaries of Zhejiang Keying have deregistered the internet data center (“IDC”) licenses that are no longer needed after the termination of the data center operations in the PRC. However, due to the complexity of the PRC regulatory regime over our industry, we cannot assure you that we have obtained all the permits or licenses required for conducting our remaining operations in the PRC or will be able to maintain our existing licenses or obtain any new licenses required under any new laws or regulations. We have received government approvals, permits and licenses required for our operations of data centers in Hong Kong and the United States. However, we cannot assure you that we will be able to maintain or renew such required approval, permits or licenses on commercially reasonable terms and in a timely manner or at all. See “Risk Factors — Risks Related to Our Business and Industry—Any failure to obtain or renew any required approvals, licenses, permits or certifications could materially and adversely affect our business and results of operations.”

Our revenues from continuing operations were US\$5.2 million, US\$2.2 million and US\$1,328.9 million in 2019, 2020 and 2021, respectively, representing a decrease of 58.0% from 2019 to 2020, and an increase of US\$1,326.7 million from 2020 to 2021, respectively. The decrease in 2020 was mainly attributable to a decrease of US\$3.0 million associated with TMG’s temporary suspension of its operations in Sweden during the period from January 2020 to September 2020. The Company acquired the mining pool business in April 2021, which contributed a significant increase of US\$1,275.1 million to revenues.

Net loss from continuing operations attributable to BIT Mining Limited were US\$74.9 million in 2019, US\$23.3 million in 2020 and US\$51.8 million in 2021, representing a decrease of 68.8% from 2019 to 2020, and an increase of 122.0% from 2020 to 2021, respectively. Net loss from continuing operations attributable to BIT Mining Limited in 2019, 2020 and 2021 were adversely impacted by share-based compensation expenses of US\$11.5 million, US\$8.0 million and US\$6.4 million, respectively. Net loss from continuing operations attributable to BIT Mining Limited in 2019 was adversely impacted by impairment provisions of US\$26.9 million provided for acquired intangible assets, US\$19.2 million provided for goodwill, US\$1.9 million of loss from equity method investments and US\$1.4 million provided for long-term investments. Net loss from continuing operations attributable to BIT Mining Limited in 2020 was adversely impacted by an impairment provision of US\$4.8 million provided for long-term investment. And net loss from continuing operations attributable to BIT Mining Limited in 2021 was adversely impacted by an impairment provision of US\$22.4 million provided for property and equipment and an impairment provision of US\$31.8 million provided for cryptocurrencies which was partially offset by a net gain of US\$6.7 million on disposal of cryptocurrencies.

## Description of Key Statement of Operations Items from Continuing Operation

### Revenues

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

	Years ended December 31,		
	2019 (recast)	2020 (recast)	2021
	US\$	US\$	US\$
	(in thousands)		
Mining pool	—	—	1,275,106
Cryptocurrency mining	—	—	39,429
Data center	—	—	11,825
Others	5,161	2,167	2,516
Total revenues	5,161	2,167	1,328,876
Deductibles	—	—	—
Revenues	5,161	2,167	1,328,876

Mining pool services, cryptocurrency mining and data center services accounted for nil, nil and 99.8% of the total revenues in 2019, 2020 and 2021, respectively. Others mainly include online gaming services in Europe and beyond by TMG. The decrease in 2020 was mainly attributable to the temporary suspension of TMG's operation in Sweden during the period from January 2020 to September 2020. The significant increase in 2021 was mainly attributable to the mining pool business that we have consolidated since April 2021.

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

	Years ended December 31,		
	2019 (recast)	2020 (recast)	2021
	US\$	US\$	US\$
	(in thousands)		
<b>Operating Expenses:</b>			
Cost of revenue	7,917	2,016	1,323,415
Sales and marketing	3,032	1,148	951
General and administrative	18,690	14,330	25,463
Service development	2,858	1,941	3,155
Total operating expenses	32,497	19,435	1,352,984

Our operating expenses consist primarily of cost of revenue, sales and marketing expenses, general and administrative expenses and service development expenses.

### *Cost of revenue*

Our cost of revenue is directly related to the services we provide, and fluctuates in line with our revenues. Our cost of revenue primarily consists of: (i) mining rewards allocated to each providers of computing power (“pool participant”) in exchange for their computing power contributed to the mining pool; (ii) other direct costs related to providing the mining pool service such as server fees and labor for maintaining the mining pool service; (iii) direct production costs related to data center service for operation, leasing expense of servers housing and other equipment used in providing online services and cryptocurrency mining business; (iv) depreciation of machinery and equipment related to cryptocurrency mining and data center services; (v) amortization fees, which consist primarily of amortization of intangible assets arising from business combination; (vi) lottery insurance expenses, which consist of insurance premiums charged by insurers for covering the first two categories of winnings in online gaming services for betting on the outcome of lotteries; (vii) platform fees, which consist of fees payable to online gaming software suppliers for providing various online casino games on TMG’s websites and apps; (viii) account handling expenses, which consist primarily of transaction fees charged by banks and third-party payment processors for cash transfers between our users’ accounts on our online platform including websites and mobile applications and their accounts with banks or third-party payment processors; (ix) server leasing and maintenance expenses, which consist primarily of leasing expense of servers and other equipment used in providing online services; and (x) regulatory and compliance fees, which consist of fees payable to regulatory bodies such as Gambling Commission, HM Revenue and Customs, Malta Gaming Authority and Certria EOOD.

### *Sales and marketing expenses*

Our sales and marketing expenses consist primarily of: (i) promotional and marketing expenses, which primarily consist of expenses associated with various promotional events; (ii) salary and benefit expenses for sales and marketing employees; (iii) share-based compensation expenses; (iv) advertising expenses; and (v) commissions to third-party Internet companies, which are service fees we pay to third-party Internet companies for purchase orders placed on our websites by users redirected from their websites. The amount of such commissions paid to third-party Internet companies for each redirected order depends on an agreed-upon allocation ratio.

### *General and administrative expenses*

Our general and administrative expenses consist primarily of: (i) share-based compensation expenses; (ii) salary and benefit expenses for our management and general administrative employees; (iii) third-party professional service fees, which consist primarily of professional service fees paid to third-party professionals; (iv) depreciation expenses mainly for improvement of leasehold; (v) office expenses, which consist primarily of office rental and other office administrative expenses; (vi) travel, communication and other business expenses, which consist primarily of expenses associated with business travels; and (vii) bad debt provisions of other receivables, which consist primarily of bad debt provision of other receivables aging more than three years.

### *Service development expenses*

Our service development expenses consist primarily of salary and benefit expenses for our research and development employees, share-based compensation expenses and rental expenses.

### *Other Operating Income*

Our other operating income consists primarily of technical services fees received from third parties and related parties.

### *Government Grant*

In 2019 and 2020, we recognized grants from the Shenzhen local government. We did not recognize grants from the Shenzhen local government in 2021.

### *Net Gain on Disposal of Cryptocurrencies*

Net gain on disposal of cryptocurrencies was mainly due to increasing market prices for cryptocurrencies by using first-in-first-out (“FIFO”) to calculate the cost of disposition.

*Impairment of Cryptocurrencies*

Impairment provided for cryptocurrency assets held in mining pool business, including cryptocurrencies payable to pool participants as a result of the price fluctuation of cryptocurrencies.

*Changes in fair value of contingent considerations*

Changes in fair value of contingent considerations was due to the re-measurement on the fair value of the contingent considerations related to the combination of BTC.com.

*Impairment of Property and Equipment*

Impairment of property and equipment was due to the closure and demolition of data centers in Sichuan, China.

*Impairments of goodwill and acquired intangible assets*

Impairments of goodwill and acquired intangible assets were related to the Company's acquisition of TMG, which were triggered by TMG's temporary suspension of its operations in Sweden during the period from January 2020 to September 2020.

*Impairment of long-term investments*

The impairment losses in 2020 were primarily related to our 40.65% (later changed to 40.48% in 2019, to 33.74% in 2020 and further to 59.79% in 2021) equity interest in Loto Interactive, which was acquired in June 2017. The impairment loss in 2019 was related to our equity investment in Topgame Global Limited, which was acquired in August 2015.

*Gain from disposal of subsidiaries*

In 2021 we recognized a disposition gain of US\$0.2 million mainly in connection with consolidation of Loto Interactive Limited, which disposed its subsidiaries in 2021.

**Taxation**

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

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

*Cayman Islands*

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

*USA*

Summit Bend, Ohio I, Ohio II and Asgard are incorporated in Ohio and Delaware, USA. Under the current laws, profits tax in Ohio and Delaware, USA is generally assessed at the rate 21% of taxable income.

*British Virgin Islands*

Under the current laws of the British Virgin Islands, BVI is not subject to tax on income or capital gains.

*Malta*

Under the current laws, profits tax in Malta is generally assessed at the rate of 35% of taxable income. When a dividend is paid or declared to the holding company, the paying entity is entitled to claim six-sevenths (6/7) of the profits tax paid as a refund, which may effectively reduce the income tax rate to 5%.

*Curacao*

Multi Pay N.V. is incorporated in Curacao. Under the current laws, profits tax in Curacao is generally assessed at the rate of 2% of taxable income.

*Hong Kong*

500wan HK, Sunstar Technology, Skill Esport and the Hong Kong subsidiaries of Loto Interactive are incorporated in Hong Kong, under the current laws, profits tax in Hong Kong is generally assessed at the rate of 8.25% of taxable income up to HKD2,000 and assessed at the rate of 16.5% of taxable income over HKD2,000.

*People's Republic of China*

A new enterprise income tax law (the "EIT Law") in the PRC was enacted and became effective on January 1, 2008. The EIT Law applies a uniform 25% enterprise income tax ("EIT") rate to both foreign invested enterprises and domestic enterprises. The subsidiaries incorporated in PRC are subject to the EIT rate of 25% in 2019, 2020 and 2021, respectively.

**Internal Control over Financial Reporting**

We are a public company in the United States subject to Sarbanes-Oxley. Section 404 of Sarbanes-Oxley and applicable rules and regulations thereunder require that we include a report of management on our internal control over financial reporting in this annual report.

**Results of Operations**

The following summary of the consolidated financial data for the periods and as of the dates indicated is qualified by reference to, and should be read in conjunction with, our consolidated financial statements and related notes.

Our historical results do not necessarily indicate our results to be expected for any future period.



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	Years ended December 31,		
	2019 (recast)	2020 (recast)	2021
	US\$	US\$	US\$
	(in thousands, except for per share data)		
<b>Consolidated Statement of Comprehensive Loss Data:</b>			
<b>Revenues</b>	5,161	2,167	1,328,876
<b>Operating costs and expenses:</b>			
Cost of revenue	(7,917)	(2,016)	(1,323,415)
Sales and marketing	(3,032)	(1,148)	(951)
General and administrative	(18,690)	(14,330)	(25,463)
Service development	(2,858)	(1,941)	(3,155)
<b>Total operating expenses</b>	(32,497)	(19,435)	(1,352,984)
Other operating income	39	534	300
Government grant	34	21	—
Other operating expenses	(582)	(273)	(14,686)
Net gain on disposal of cryptocurrencies	—	—	6,717
Impairment of cryptocurrencies	—	—	(31,757)
Changes in fair value of derivative instrument	—	—	3,696
Changes in fair value of contingent considerations	—	—	13,936
Impairment of property and equipment	—	—	(22,392)
Impairment of intangible assets	(26,909)	—	(56)
Impairment of goodwill	(19,200)	—	—
<b>Operating loss from continuing operations</b>	(73,954)	(16,986)	(68,350)
Other income, net	—	42	594
Interest income	1,308	242	56
Interest expense	—	—	(775)
Loss from equity method investments	(1,915)	(1,865)	(1,184)
Gain on previously held equity interest	—	—	5,500
Impairment of long-term investments	(1,372)	(4,787)	—
Gain from disposal of subsidiaries	—	—	234
<b>Loss before income taxes from continuing operations</b>	(75,933)	(23,354)	(63,925)
Income taxes benefits	1,083	30	359
<b>Net loss from continuing operations</b>	(74,850)	(23,324)	(63,566)
Loss from discontinued operations, net of income taxes	(20,009)	(8,779)	(2,224)
Loss on disposal of discontinued operations, net of income taxes	—	—	(6,697)
<b>Net loss from discontinued operations, net of income taxes</b>	(20,009)	(8,779)	(8,921)
<b>Net loss</b>	(94,859)	(32,103)	(72,487)
Net loss from continuing operations attributable to noncontrolling interest and redeemable noncontrolling interest	—	—	(11,792)
Net (loss) income from discontinued operations attributable to noncontrolling interest	(438)	309	(179)
Less: Net (loss) income attributable to the noncontrolling interest	(438)	309	(11,971)
<b>Net loss attributable to BIT Mining Limited</b>	(94,421)	(32,412)	(60,516)
Other comprehensive income (loss)			
Share of other comprehensive (loss) income of an equity method investee	(578)	(177)	631
Reclassification into income from equity method investments	—	—	131
Foreign currency translation gain (loss)	(384)	2,317	2,115
<b>Other Comprehensive income (loss), net of tax</b>	(962)	2,140	2,877
<b>Comprehensive loss</b>	(95,821)	(29,963)	(69,610)
Less: Comprehensive income (loss) attributable to redeemable noncontrolling interest and noncontrolling interest	(630)	309	(11,337)
<b>Comprehensive loss attributable to BIT Mining Limited</b>	(95,191)	(30,272)	(58,273)
<b>Losses per share attributable to BIT Mining Limited – Basic and Diluted:</b>			
Net loss from continuing operations	(0.17)	(0.05)	(0.08)
Net loss from discontinued operations	(0.05)	(0.02)	(0.01)
Net loss	(0.22)	(0.07)	(0.09)
<b>Losses per American Depositary Share ("ADS") (1 ADS represents 10 Class A ordinary shares)-Basic and Diluted:</b>			
Net loss from continuing operations	(1.75)	(0.54)	(0.83)
Net loss from discontinued operations	(0.46)	(0.21)	(0.14)
Net loss	(2.21)	(0.75)	(0.97)
<b>Weighted average number of Class A and Class B ordinary shares outstanding:</b>			
Basic	428,586,305	430,011,263	622,337,974
Diluted	428,586,305	430,011,263	622,337,974
<b>Non-GAAP financial data<sup>(1)</sup></b>			
<b>Net loss attributable to BIT Mining Limited</b>	(94,421)	(32,412)	(60,516)
Adjustment for share-based compensation expenses	11,498	8,047	6,446
Adjustment for impairment of intangible assets	26,909	—	56
Adjustment for impairment of goodwill	19,200	—	—
Adjustment for impairment of long-term investments	3,241	4,787	—
Adjustment for deferred tax benefit relating to valuation allowance	(1,112)	(531)	(359)
Adjustment for gain on previously held equity interest	—	—	(5,500)
Adjustment for impairment of property and equipment	—	—	22,392
Adjustment for impairment of cryptocurrencies	—	—	31,757
Adjustment for net gain on disposal of cryptocurrencies	—	—	(6,717)
Adjustment for changes in fair value of contingent considerations	—	—	(13,936)
Adjustment for changes in fair value of derivative instrument	—	—	(3,696)
<b>Adjusted net loss attributable to BIT Mining Limited (non-GAAP)</b>	(34,685)	(20,109)	(30,073)
Adjusted net loss from continuing operations attributable to BIT Mining Limited (non-GAAP)	(16,957)	(11,021)	(21,331)
Adjusted net income from discontinued operations attributable to BIT Mining Limited (non-GAAP)	(17,728)	(9,088)	(8,742)

- (1) As a supplement to net income, we use the non-GAAP financial measure of adjusted net loss which is U.S. GAAP net loss as adjusted to exclude share-based compensation expenses, impairment of acquired intangible assets and goodwill, impairment of long-term investments, deferred tax expenses relating to valuation allowance, gain on previously held equity interest, impairment of property and equipment, impairment of cryptocurrencies, net gain on disposal of cryptocurrencies, changes in fair value of contingent considerations and changes in fair value of derivative instrument. This non-GAAP financial measure is provided as additional information to help our investors compare business trends among different reporting periods on a consistent basis and to enhance investors' overall understanding of our current financial performance and prospects for the future. This non-GAAP financial measure should not be considered in addition to or as a substitute for or superior to U.S. GAAP net income. In addition, our definition of adjusted net income may be different from the definition of such term used by other companies, and therefore comparability may be limited.

***The year ended December 31, 2021 compared with the year ended December 31, 2020***

*Revenues*

Our revenues increased from US\$2.2 million in 2020 to US\$1,328.9 million in 2021, primarily attributable to the mining pool business that we have consolidated since April 2021.

Revenues were mainly comprised of revenues from the mining pool business of US\$1,275.1 million and the cryptocurrency mining business of US\$39.4 million, which were new business started in 2021.

*Operating cost and expenses*

Our operating cost and expenses increased from US\$19.4 million in 2020 to US\$1,353.0 million in 2021. Our operating expenses consisted of the following:

*Cost of revenue.* Our cost of revenue increased from US\$2.0 million in 2020 to US\$1,323.4 million in 2021. The increase was primarily due to (i) an increase of US\$1,279.5 million mining rewards allocated to each providers of pool participant in exchange for their computing power contributed to the mining pool; (ii) an increase of US\$23.1 million direct production costs related to data center service for operation, leasing expense of servers housing and other equipment used in providing online services and cryptocurrency mining business; (iii) an increase of US\$13.6 million depreciation of machinery and equipment related to cryptocurrency mining and data center services; and (iv) increase of US\$5.1 million amortization fees of intangible assets arising from business combination.

*Sales and marketing expenses.* Sales and marketing expenses decreased by 17.2% from US\$1.1 million in 2020 to US\$0.9 million in 2021. The decrease was mainly due to cost reduction measures implemented by management, a decrease in share-based compensation expenses associated with share options granted to our directors and employees from US\$0.7 million in 2020 to nil in 2021.

*General and administrative expenses.* General and administrative expenses increased by 77.7% from US\$14.3 million in 2020 to US\$25.5 million in 2021. The increase was mainly due to business development, including:

- an increase in third-party professional service fees primarily consisting of legal and compliance consulting expenses from US\$3.1 million in 2020 to US\$11.1 million in 2021, which was primarily attributable to the acquisition and exploring cryptocurrency mining business in 2021;
- an increase in salary and benefit expenses for employees from US\$1.9 million in 2020 to US\$5.7 million in 2021, which was primarily due to the increase of the headcounts of the acquisition business and the expansion of cryptocurrency business globally;
- an increase in office expenses consisting primarily of office rental and other office administrative expenses from US\$0.7 million in 2020 to US\$1.9 million in 2021, which was primarily attributable to the expansion of cryptocurrency business globally;

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- an increase in travel, communication and other business expenses, which consist primarily of expenses associated with business travels, from US\$0.1 million in 2020 to US\$0.7 million in 2021;

The increase in general and administrative expenses was partially offset by a decrease in share-based compensation expenses associated with share options granted to our directors and employees from US\$5.9 million in 2020 to US\$4.5 million in 2021, which was primarily related to restricted share units granted in 2020, which are expensed mainly in 2020, and a decrease in depreciation expenses from US\$2.2 million in 2020 to US\$0.8 million in 2021, which was primarily attributable to the termination of office lease in 2021.

*Service development expenses.* Service development expenses increased by 62.5% from US\$1.9 million in 2020 to US\$3.2 million in 2021. The increase was primarily due to: (i) an increase in salary and benefit expenses for employees from US\$0.3 million in 2020 to US\$2.2 million in 2021, primarily due to the consolidation of the mining pool business since April 2021; and (ii) a decrease in share-based compensation expenses associated with restricted share units granted to our service development employees from US\$1.4 million in 2020 to US\$0.3 million in 2021.

### *Other operating income*

Other operating income decreased by 43.8% from US\$0.5 million in 2020 to US\$0.3 million in 2021.

### *Net Gain on Disposal of Cryptocurrencies*

Net gain on disposal of cryptocurrencies was US\$6.7 million in 2021, which was related to the increasing market prices for cryptocurrencies by using the accounting method of first-in-first-out (FIFO) to calculate the cost of disposition.

### *Impairment of Cryptocurrencies*

Impairment of cryptocurrencies was US\$31.8 million in 2021, which was related to the cryptocurrencies assets including the part of cryptocurrencies payable to pool participants related to mining pool business due to the decreasing market prices for cryptocurrencies assets.

### *Changes in fair value of contingent considerations*

Changes in fair value of contingent considerations was US\$13.9 million for the fourth quarter of 2021, due to the re-measurement on the fair value of the contingent considerations related to the combination of BTC.com.

### *Impairment of Property and Equipment*

Impairment of property and equipment was US\$22.4 million in 2021, mainly due to the closure and demolition of data centers in Sichuan, China.

### *Impairment of goodwill and acquired intangible assets*

Impairment of goodwill was nil and impairment of acquired intangible assets was US\$0.06 million in 2021, which was related to the computer software of Loto Interactive.

*Operating loss*

As a result of the foregoing factors, we recorded operating loss from continuing operations of US\$68.4 million in 2021, an increase of US\$51.4 million compared with operating loss from continuing operations of US\$17.0 million in 2020.

*Impairment of long-term investments.*

Impairment of long-term investments decreased by 100% from US\$4.8 million in 2020 to nil in 2021. The impairment loss in 2020 was provided for our 40.65% (later changed to 40.48% in 2019, to 33.74% in October 2020, and further to 59.79% in June, 2021) equity interest in Loto Interactive, which was acquired in June 2017.

*Loss before income taxes from continuing operations*

Loss before income taxes from continuing operations was US\$63.9 million in 2021, an increase of US\$40.6 million compared with loss before income taxes from continuing operations of US\$23.4 million in 2020.

*Income tax benefit*

We recorded income tax benefit of US\$0.36 million in 2021, an increase of US\$0.33 million compared with income tax benefit of US\$0.03 million in 2020. Income tax benefit was primarily due to a reversal of uncertain tax liabilities and deferred tax liabilities.

*Net loss from continuing operations*

As a result of the foregoing factors, we recorded net loss from continuing operations of US\$63.6 million in 2021, as compared to net loss from continuing operations of US\$23.3 million in 2020.

*Net loss from continuing operations attributable to BIT Mining Limited*

We recorded net loss from continuing operations attributable to BIT Mining Limited of US\$51.8 million in 2021, as compared to net loss from continuing operations attributable to BIT Mining Limited of US\$23.3 million in 2020. We also recorded non-GAAP net loss from continuing operations attributable to BIT Mining Limited of US\$21.3 million in 2021, as compared to non-GAAP net loss from continuing operations attributable to BIT Mining Limited of US\$11.0 million in 2020.

***The year ended December 31, 2020 compared with the year ended December 31, 2019***

*Revenues*

Our revenues decreased by 58.0% from US\$5.2 million in 2019 to US\$2.2 million in 2020, primarily attributable to TMG's temporary suspension of operation in Sweden during the period from January 2020 to September 2020.

*Operating cost and expenses*

Our operating cost and expenses decreased by 40.2% from US\$32.5 million in 2019 to US\$19.4 million in 2020. Our operating expenses consisted of the following:

*Cost of revenue.* Our cost of revenue decreased by 74.5% from US\$7.9 million in 2019 to US\$2.0 million in 2020. The decrease was primarily due to cost reduction measures implemented by management, including: (i) a decrease of US\$3.9 million in depreciation and amortization, mainly associated with full impairment of intangible assets acquired for business combination of TMG, which was fully impaired at the end of 2019; (ii) a decrease of US\$0.9 million in platform service fees of TMG associated with online casino platforms; and (iii) a decrease of US\$0.7 million in business insurance costs of TMG associated with online lottery betting.

*Sales and marketing expenses.* Sales and marketing expenses decreased by 62.1% from US\$3.0 million in 2019 to US\$1.1 million in 2020. The decrease of US\$1.4 million in promotional and marketing expenses was primarily due to a change in TMG's marketing strategy.

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*General and administrative expenses.* General and administrative expenses decreased by 23.3% from US\$18.7 million in 2019 to US\$14.3 million in 2020. The decrease was mainly due to cost reduction measures implemented by management, including:

- a decrease of US\$2.5 million in share-based compensation expenses associated with share options granted to our directors and employees in 2020, which was primarily related to restricted share units granted in 2018 and 2019, which are expensed mainly in 2019;
- a decrease of US\$1.2 million in salary and benefit expenses for employees in 2020, which was primarily caused by a decreased number of employees;

*Service development expenses.* Service development expenses decreased by 32.1% from US\$2.9 million in 2019 to US\$1.9 million in 2020. The decrease was primarily due to a decrease of US\$0.6 million in share-based compensation expenses associated with restricted share units granted to our service development employees in 2020.

### *Other operating income*

Other operating income increased from US\$0.04 million in 2019 to US\$0.5 million in 2020.

### *Impairment of goodwill and acquired intangible assets*

Impairment of goodwill decreased from US\$19.2 million in 2019 to nil in 2020, and impairment of acquired intangible assets decreased from US\$26.9 million in 2019 to nil in 2020. The decrease was related to the Company's acquisition of TMG, which were triggered by TMG's temporary suspension of its operations in Sweden during the period from January 2020 to September 2020.

### *Operating loss*

As a result of the foregoing factors, we recorded operating loss from continuing operations of US\$17.0 million in 2020, a decrease of US\$57.0 million compared with operating loss from continuing operations of US\$74.0 million in 2019.

### *Impairment of long-term investments.*

Impairment of long-term investments increased from US\$1.4 million in 2019 to US\$4.8 million in 2020. The impairment loss in 2019 was provided for our investment in Topgame Global Limited, which was acquired in August 2015. The impairment loss in 2020 was provided for our 40.65% (later changed to 40.48% in 2019, to 33.74% in 2020 and further to 59.79% in 2021) equity interest in Loto Interactive, which was acquired in June 2017.

*Loss before income taxes from continuing operations*

Loss before income taxes from continuing operations was US\$23.4 million in 2020, a decrease of US\$52.5 million compared with loss before income taxes from continuing operations of US\$75.9 million in 2019.

*Income tax benefit*

We recorded income tax benefit of US\$0.03 million in 2020, a decrease of US\$1.05 million compared with income tax benefit of US\$1.08 million in 2019. Income tax benefit was primarily due to a reversal of uncertain tax liabilities and deferred tax liabilities.

*Net loss from continuing operations*

As a result of the foregoing factors, we recorded net loss from continuing operations of US\$23.3 million in 2020, as compared to net loss from continuing operations of US\$74.9 million in 2019.

*Net loss from continuing operations attributable to BIT Mining Limited*

We recorded net loss from continuing operations attributable to BIT Mining Limited of US\$23.3 million in 2020, as compared to net loss from continuing operations attributable to BIT Mining Limited of US\$74.9 million in 2019. We also recorded non-GAAP net loss from continuing operations attributable to BIT Mining Limited of US\$11.0 million in 2020, as compared to non-GAAP net loss from continuing operations attributable to BIT Mining Limited of US\$17.0 million in 2019.

**B. Liquidity and Capital Resources**

We conduct our operations primarily through our wholly-owned subsidiaries in Hong Kong, the United States and Kazakhstan. Our principal sources of liquidity have been cash provided by our operating activities and proceeds from the issuances of preferred shares and ordinary shares. As of December 31, 2021, we had US\$17.7 million in cash and cash equivalents.

We believe that our current cash and the net proceeds we received from our private placement to selling shareholders will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months from the date of this report. We also have reduced the expenditures, such as overhead or administrative expenditures and marketing expenses, since 2019 and started to mine bitcoins from our cryptocurrency mining business in February 2021. All these factors combined will have a positive impact on our cash flows for at least the next 12 months. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities or debt securities or borrow from lending institutions. Financing may be unavailable in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our earnings per share. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

The following table sets forth a summary of our cash flows for the years indicated.

	<u>Years ended December 31,</u>		
	<u>2019 (recast)</u>	<u>2020 (recast)</u>	<u>2021</u>
	US\$	US\$	US\$
	(in thousands)		
Net cash used in operating activities	(22,259)	(9,807)	(34,271)
Net cash provided by (used in) investing activities	9,599	3,330	(75,406)
Net cash provided by financing activities	2,457	4	77,667
Effect of exchange rate changes on cash, cash equivalents and restricted cash	63	1,824	1,920
Cash, cash equivalents and restricted cash at the beginning of the year	<u>62,683</u>	<u>52,543</u>	<u>47,894</u>
Cash, cash equivalents and restricted cash at the end of the year	<u>52,543</u>	<u>47,894</u>	<u>17,804</u>

*Net cash used in operating activities*

Net cash used in operating activities in 2021 was US\$34.3 million, which was primarily attributable to (i) net loss of US\$72.5 million adjusted by subtracting US\$6.4 million of share-based compensation; (ii) depreciation and amortization expenses of US\$20.4 million; (iii) losses on disposal of property and equipment of US\$9.8 million; (iv) impairment of cryptocurrencies of US\$31.8 million; (v) impairment of property and equipment of US\$22.4 million; (vi) changes in fair value of contingent considerations of US\$13.9 million; (vii) net gain on disposal of cryptocurrencies of US\$6.7 million; (viii) an increase in prepayments and other receivables of US\$2.3 million; (ix) an increase in cryptocurrency assets of US\$20.1 million; (x) a decrease in accounts payable of US\$7.7 million; (xi) a decrease of accrued expenses and other current liabilities of US\$2.8 million; (xii) a decrease of accrued payroll and welfare payable of US\$1.5 million; (xiii) gain on previously held equity interest of US\$5.5 million; and (xiv) Amortization of right-of-use assets of US\$1.2 million, which was partially offset by (i) a decrease in accounts receivables of US\$1.7 million; and (ii) an increase in due to related party of US\$1.3 million.

Net cash used in operating activities in 2020 was US\$9.8 million, which was primarily attributable to (i) net loss of US\$32.1 million adjusted by subtracting US\$8.0 million of share-based compensation; (ii) depreciation and amortization expenses of US\$6.6 million; (iii) impairment on long-term investments of US\$4.8 million; (iv) bad debt provision of US\$0.1 million; (v) loss from equity method investments of US\$1.6 million; (vi) a decrease in prepayments and other receivables of US\$0.9 million; (vii) a decrease in deposits and other non-current assets of US\$0.6 million; (viii) an increase in accrued expenses and other current liabilities of US\$2.0 million; (ix) an increase in accrued payroll and welfare payable of US\$1.0 million; (x) losses on disposal of property and equipment of US\$0.2 million; and (xi) amortization of right-of-use assets of US\$1.1 million. Net cash used in operating activities in 2020 was partially offset by (i) a decrease in operating lease liabilities of US\$2.2 million; (ii) a decrease in long-term payables of US\$0.1 million; and (iii) a decrease in deferred tax liability and income tax liability of US\$0.5 million.

Net cash used in operating activities in 2019 was US\$22.3 million, which was primarily attributable to (i) net loss of US\$94.9 million adjusted by subtracting US\$11.5 million of share-based compensation; (ii) depreciation and amortization expenses of US\$8.9 million; (iii) impairment on long-term investments of US\$3.2 million; (iv) impairment of goodwill and acquired intangible assets of US\$46.1 million; (v) bad debt provision of US\$2.9 million; (vi) loss from equity method investments of US\$1.5 million; (vii) a decrease in prepayments and other receivables of US\$2.3 million; (viii) a decrease in other non-current assets of US\$0.2 million; and (ix) amortization of right-of-use assets of US\$2.5 million. Net cash used in operating activities in 2019 was partially offset by (i) a decrease in accrued expenses and other current liabilities of US\$3.1 million; (ii) a decrease in operating lease liabilities of US\$1.9 million; (iii) a decrease in long-term payables of US\$0.2 million; (iv) a decrease in deferred tax liability and income tax liability of US\$1.1 million, and (v) a decrease in accrued salary and benefit expenses for employees of US\$0.4 million.

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

Net cash used in investing activities in 2021 was US\$75.4 million, which was primarily attributable to (i) cash paid for acquisition of property and equipment of US\$56.6 million; (ii) cash paid for disposal of subsidiaries and VIEs, net of cash received of US\$1.4 million; (iii) cash paid for acquisition of long-term investments of US\$1.0 million; (iv) cash paid for business combination, net of cash received of US\$21.9 million; (v) cash paid for additional interest acquired for Loto Interactive of US\$3.4 million; and (vi) loans provided to third-parties of US\$8.0 million, which was partially offset by (i) cash received from disposal of cryptocurrency assets of US\$10.8 million; and (ii) proceeds from disposal of property and equipment of US\$5.7 million.

Net cash provided by investing activities in 2020 was US\$3.3 million, which was primarily attributable to (i) cash received from return of time deposits of US\$3.4 million; (ii) cash received from disposal of long-term investment of US\$0.4 million; and (iii) repayment of loans provided to related and third-parties of US\$1.9 million; which was partially offset by (i) cash paid for acquisition of redeemable non-controlling interest of US\$2.1 million; and (ii) cash paid for acquisition of property and equipment of US\$0.2 million.

Net cash provided by investing activities in 2019 was US\$9.6 million, which was primarily attributable to (i) cash received from return of short-term investments of US\$14.4 million; (ii) cash received from return of time deposits of US\$19.7 million; and (iii) cash received from return of long-term investment of US\$0.9 million; which was partially offset by (i) cash paid for time deposits of US\$23.1 million; (ii) cash paid for loans provided to third parties of US\$1.1 million; (iii) cash paid for loans provided to a related party of US\$1.4 million; (iv) cash paid for acquisition of property and equipment of US\$0.6 million; and (v) repayment of loans provided to third-parties of US\$0.8 million;

*Net cash provided by financing activities*

Net cash provided by financing activities in 2021 was US\$77.7 million which was primarily attributable to (i) proceeds from the exercise of share-based awards of US\$2.5 million; (ii) proceeds from short-term borrowings of US\$46.7 million; and (iii) proceeds from issuance of ordinary shares for private placement of US\$56.1 million; which was offset by (i) repayment of short-term borrowings of US\$27.7 million.

Net cash provided by financing activities in 2020 was US\$0.004 million which was attributable to proceeds from the exercise of share-based awards.

Net cash provided by financing activities in 2019 was US\$2.5 million which was attributable to proceeds from the exercise of share-based awards.

**Capital Expenditures**

We made capital expenditures, including for property and equipment and intangible assets, of US\$0.5 million, US\$0.2 million and US\$56.6 million in 2019, 2020 and 2021, respectively. In addition, our capital expenditures in 2019, 2020 and 2021 primarily consisted of purchases of additional information technology-related equipment and leasehold improvement of our new office. We expect that our capital expenditures will increase in the future due to the expansion of our cryptocurrency business.

**Recent Accounting Pronouncements**

The Group has considered all recent accounting pronouncements and has concluded that there are no recent accounting pronouncements that may have a material impact on its Consolidated Financial Statements, based on current information.

**Cash and Assets Transfers among us, our subsidiaries and the former VIEs**

Cash can be transferred between our holding company in Cayman Islands and our subsidiaries in China and other regions and countries through intercompany fund advances and capital contributions.

As of the date of this prospectus, BIT Mining Limited has not distributed any earnings to its subsidiaries or the former VIEs. BIT Mining Limited currently does not have any plan to distribute earnings to our subsidiaries in the foreseeable future.

In 2019, 2020 and 2021, BIT Mining Limited transferred cash to our subsidiaries of RMB9.4 million, nil and RMB426.1 million, respectively, through intercompany fund advances and capital contributions. BIT Mining Limited transferred cash to the former VIEs of RMB56.8 million, RMB27.9 million and RMB8.8 million, respectively, through intercompany fund advances and long-term loan, which was interest free and without recourse. Our wholly-owned subsidiaries in China transferred cash to the former VIEs of RMB102.7 million, RMB10,000 and RMB2.8 million, respectively, through short-term loan, which was interest free and without recourse. Furthermore, in 2021 and up to the date of this prospectus, our subsidiaries in China transferred certain cryptocurrency mining assets and equipment to our overseas subsidiaries, which was a part of our business strategy to migrate our cryptocurrency mining business out of China.

In 2019, 2020 and 2021, the former VIEs transferred cash to our wholly-owned subsidiaries of RMB2.8 million, RMB8.3 million and RMB186.9 million, respectively, pursuant to our former contractual arrangements.

The aforementioned cash and assets transfers among our Cayman holding company, subsidiaries and the former VIEs were for business operation purposes. As of the date of this prospectus, a substantial majority of our assets and cash are located outside of China. We are not aware of any regulatory restrictions of transferring funds between our Cayman Islands holding company and subsidiaries in Hong Kong, British Virgin Islands, Canada, Malta, Cyprus, Curacao, Kazakhstan and the United States. We are subject to applicable PRC regulation of loans to or investment in subsidiaries in China. For details, see “Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries.”



**C. Research and Development**

We do not make, and do not expect to make, significant expenditures on research and development activities in the future.

**Intellectual Property**

We rely on a combination of trademark, copyright, patent and trade secret protection laws in the PRC and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property rights and our brands. As of the date of this annual report, our intellectual property rights and our brands are as follows : We have registered 2 trademarks with the Trademark Office of the State Administration for Industry and Commerce of the PRC, registered 1 trademarks with the Intellectual Property Office of Singapore. “BTC.com” are trademarks registered in the PRC, Singapore, respectively, which are owned by Beijing Guixinyanghang Technology Limited, and Hong Kong Sunstar Technology Co., Limited. We have also registered domain names including “www. connectbtc.com”, “BTC. com”, which are owned by Beijing Guixinyanghang Technology Limited, and Hong Kong Sunstar Technology Co., Limited. We own 34 software copyright registrations in PRC through E-Sun Sky Computer (Shenzhen) Co., Limited, and 1 authorized invention patent in PRC through Beijing Guixinyanghang Technology Limited.

**D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year 2020 that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

**E. Critical Accounting Estimates**

***Business combination***

We account for our business combinations using the acquisition method of accounting, which requires, among other things, allocation of the fair value of purchase consideration to the identifiable assets acquired and liabilities assumed at their estimated fair values on the acquisition date. Any residual purchase price is recorded as goodwill. When determining the fair value of the identifiable assets acquired and liabilities assumed, we make significant estimates and assumptions, especially with respect to the intangible assets acquired. These intangible assets do not have observable prices. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and, as a result, actual results may differ from estimates.

We also estimate the fair value of estimated contingent consideration using Level 3 unobservable inputs at the acquisition date as part of the consideration transferred. Our estimates of fair value are based upon assumptions believed to be reasonable but which are uncertain and involve significant judgments by management. We reassess the fair value of contingent consideration quarterly until the contingency is resolved. Any changes in the fair value are recorded in operating expense in the consolidated statements of comprehensive loss.

See Note 2 of the Notes to Consolidated Financial Statements included in Item 18 of this Annual Report on Form 20-F for a summary of significant accounting policies and the effect on our financial statements.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. Directors and Senior Management****Directors and Executive Officers**

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Bo Yu	54	Chairman, Chief Operating Officer
Man San Vincent Law	54	Executive Director
Xianfeng Yang	53	Chief Executive Officer
Qian Sun	49	Independent Director
Honghui Deng	53	Independent Director
Wong, Yan Ki Angel	50	Independent Director
Qiang Yuan	49	Chief Financial Officer

*Mr. Bo Yu* has served as our director from January 20, 2017, as our chief operating officer from December 21, 2020, and as our general counsel since 2014. Mr. Yu received a master's degree in law from the University of Iowa, and a master's degree in law and a bachelor's degree in science from the University of Wuhan. Mr. Yu is admitted to the Bar of the State of Michigan and All China Lawyers Association.

*Mr. Man San Vincent Law* has served as our executive director from April 2021. He is the founder of BIT Mining Limited (formerly known as 500.com Limited). He serves as a senior adviser of Loto Interactive Limited from 2017 to 2021. He served as the chief executive officer of the Company from 2007 to 2015 and was the chairman of the board of directors from 2001 to 2017. Mr. Law founded E-Sun Network Co., Ltd. in 1999 and of the online lottery service market who has been at the forefront of developing innovative online products and solutions. Mr. Law received a bachelor's degree from Wuhan University in 1990, and an Executive Master of Business Administration degree from Cheung Kong Graduate School of Business in 2009.

*Mr. Xianfeng Yang* has served as our chief executive officer since December 21, 2020. Mr. Yang has extensive experience in the cryptographic digital virtual currency industry. He has been in charge of the construction and operation of the big data center of Loto Interactive Limited. Mr. Yang also serves as the Chairman of Changhe Hydropower Absorption Blockchain Big Data Industrial Park in Sichuan. Mr. Yang served as the Company's senior Vice President from 2018 to 2020. Mr. Yang received a bachelor's degree in Architecture from Huazhong University of Science and Technology.

*Mr. Qian Sun* has served as our director from October 21, 2013 and became our independent director in August 2016. Mr. Sun is a partner of Sequoia Capital China, where he focuses on consumer and technology-related investment. Prior to joining Sequoia Capital China in 2006, Mr. Sun worked at General Atlantic from 2003 to 2005, focusing on technology-related growth investment in China. He also worked as a management consultant at Monitor Group in Hong Kong from 1997 to 1999. Mr. Sun received a BA degree in applied mathematics from Harvard College in 1997, an MBA from Harvard Business School and a J.D. from Harvard Law School in 2003.

*Dr. Honghui Deng* has served as our independent director since May 2011. Dr. Deng was an independent director at Borqs Technology Inc., a company listed on NASDAQ from 2015 to 2019. Dr. Deng is currently a global fellow of the Institute of Innovation Creativity Capital (IC2), the University of Texas at Austin. He is an Adjacent Professor at the School of Economics and Business Administration, the Chinese University of Hong Kong (Shenzhen), and a Visiting Professor of Guanghua School of Management, Peking University. He is also a tenured Full Professor at the Lee Business School of University of Nevada, Las Vegas. Dr. Deng was the founder and served as the chief executive officer of HHD Consulting Service LLC from 2003 to 2008. Dr. Deng has extensive consulting experiences for business firms on long-term strategy, finance and operation management. Dr. Deng is the organizing and program committee member as well as session chair of several international conferences such as Workshop of e-Business (WeB), CSWIM. Dr. Deng served as Co-President of the First DSI World Congress in Beijing 2016, which focused on "Managing Big Data and Decision Making in a New Global Economy." Dr. Deng received his Ph.D. in business administration from Red McCombs School of Business, the University of Texas at Austin in 2003.

*Ms. Wong, Yan Ki Angel* has served as our independent director from November 22, 2015. Ms. Wong obtained a Bachelor of Arts degree, majoring in international accounting from Xiamen University in July 1994, a postgraduate certificate in professional accounting from the City University of Hong Kong in November 2000 and a master degree of business administration from Cheung Kong Graduate School of Business (长江商学院) in PRC in October 2009. Ms. Wong has been admitted as fellow member of the Institute of Financial Accountants in the United Kingdom since October 2003, full member of the Society of Registered Financial Planners in Hong Kong since November 2003, full member of the Singapore Institute of Directors since October 2009, member of the Hong Kong Institute of Directors since November 2014, fellow member (FIPA, Australia) of the Institute of Public Accountants since April 2015, founding member of the Hong Kong Independent Non-Executive Director Association since October 2015 and fellow member of CPA Australia since May 2017.

*Mr. Qiang Yuan* has served as our chief financial officer since December 18, 2017. Prior to his appointment as a chief financial officer, Mr. Yuan has served in various positions within the Company since 2001. Mr. Yuan was a vice president in charge of financial matters for the Company from June 2014 to July 2016 and has served as a senior vice president since July 2016. Mr. Yuan received a bachelor's degree in Financial Management from Zhongnan University of Finance and Economics.

## **B. Compensation**

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

In 2021, the aggregate cash compensation to all our directors and our executive officers was US\$1.1 million. For share-based compensation, see “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans.” We did not have any amount accrued in 2021 for pension, retirement or other similar benefits to our directors and our executive officers.

### **Share Incentive Plans**

#### ***2011 Share Incentive Plan***

We have adopted our 2011 share incentive plan to attract and retain the best available personnel, provide additional incentives to our employees, directors and consultants, and promote the success of our business. The 2011 share incentive plan provides for the grant of options, restricted shares and other share-based awards, collectively referred to as “awards.” The board has authorized under the plan the issuance of up to 12% of our issued and outstanding ordinary shares from time to time, on an as-exercised and fully diluted basis, upon exercise of awards granted under our 2011 share incentive plan.

The following table summarizes the share options granted to our employees under the 2011 share incentive plan that were outstanding as of the date of this annual report, respectively.

#### Share options:

<u>Name</u>	<u>Number of Ordinary Shares Underlying Options</u>	<u>Exercise Price (US\$/Share)</u>	<u>Vesting Commencement Date</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>
Other Individuals as a group	41,350	0.40	—	—	—

The following paragraphs describe the principal terms of our 2011 share incentive plan.

*Plan Administration.* Our compensation committee administers the 2011 share incentive plan. The committee or the full board of directors, as appropriate, will determine the participants to receive awards, the type and number of awards to be granted, and the terms and conditions of each award grant.

*Option Agreements.* Awards granted under our 2011 share incentive plan are evidenced by an option agreement that sets forth the terms, conditions and limitations for each grant, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

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

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

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

*Termination and Amendment.* The 2011 share incentive plan expired in March 2021.

### **2021 Share Incentive Plan**

We have adopted our 2021 share incentive plan to attract and retain the best available personnel, provide additional incentives to our employees, directors and consultants, and promote the success of our business. The 2021 share incentive plan provides for the grant of options, restricted shares and other share-based awards, collectively referred to as “awards.” The board has authorized under the plan the issuance of up to 12% of our issued and outstanding ordinary shares from time to time, on an as-exercised and fully diluted basis, upon exercise of awards granted under our 2021 share incentive plan.

The following table summarizes the restricted shares granted to our employees under the 2021 share incentive plan that were outstanding as of the date of this annual report, respectively.

#### Restricted shares:

<u>Name</u>	<u>Number of Ordinary Shares</u>	<u>Vesting Commencement Date</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>
Man San Vincent Law	10,074,780	June 1, 2022	July 19, 2021	July 19, 2031
Xianfeng Yang	*	June 1, 2022	July 19, 2021	July 19, 2031
Bo Yu	*	June 1, 2022	July 19, 2021	July 19, 2031
Qiang Yuan	*	June 1, 2022	July 19, 2021	July 19, 2031
Directors and officers as a group	14,524,780			
Other Individuals as a group	7,504,780			

\* Restricted shares to vest less than 1% of our issued and outstanding share capital from time to time on an as-exercised and fully diluted basis as of the date of this annual report.

The following paragraphs describe the principal terms of our 2021 share incentive plan.

*Plan Administration.* Our compensation committee administers the 2021 share incentive plan. The committee or the full board of directors, as appropriate, will determine the participants to receive awards, the type and number of awards to be granted, and the terms and conditions of each award grant.

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

*Transfer Restrictions.* The right of a grantee in an award granted under our 2021 share incentive plan may not be transferred in any manner by the grantee other than by will or the laws of succession and, with limited exceptions, may be exercised during the lifetime of the grantee only by the grantee.

*Option Exercise.* The term of options granted under the 2021 share incentive plan may not exceed ten years from the date of grant. The consideration to be paid for our ordinary shares upon exercise of an option or purchase of ordinary shares underlying the option may include cash, check or other cash-equivalent, ordinary shares, consideration received by us in a cashless exercise, or any combination of the foregoing methods of payment.

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

*Termination and Amendment.* Unless terminated earlier, our 2021 share incentive plan will expire after ten years. Our board of directors has the authority to amend or terminate our share incentive plan, subject to shareholder approval, to the extent necessary to comply with applicable laws.

## C. Board Practices

### **Committees of the Board of Directors**

#### *Board of Directors*

We currently have five directors, including three independent directors, on our board of directors. Our board of directors consists of an audit committee, a compensation committee, a nominating and corporate governance committee and a strategy committee. Each committee's members and functions are described below.

#### ***Audit Committee***

Our audit committee consists of Wong, Yan Ki Angel, Honghui Deng and Qian Sun. Wong, Yan Ki Angel is the chairman of our audit committee. Wong, Yan Ki Angel satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. All three committee members satisfy the requirements for an "independent director" within the meaning of NYSE rules and will meet the criteria for independence set forth in Rule 10A-3 of the Exchange Act.

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

- selecting the independent auditor;
- pre-approving auditing and non-auditing services permitted to be performed by the independent auditor;
- annually reviewing the independent auditor's report describing the auditing firm's internal quality control procedures, any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors and all relationships between the independent auditor and our company;
- setting clear hiring policies for employees and former employees of the independent auditors;
- reviewing with the independent auditor any audit problems or difficulties and management's response;
- reviewing and approving all related party transactions on an ongoing basis;

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

### ***Compensation Committee***

Our compensation committee consists of Bo Yu, Man San Vincent Law, and Honghui Deng. Bo Yu is the chairman of our compensation committee. Honghui Deng satisfies the requirements for an “independent director” within the meaning of NYSE rules.

Our compensation committee is responsible for, among other things:

- reviewing and evaluating and, if necessary, revising our compensation policy;
- reviewing and evaluating the performance of our executive officers and determining the compensation of our executive officers;
- reviewing and approving our executive officers’ employment agreements and severance arrangements, if any;
- reviewing and evaluating the performance of our directors and recommending to our board the compensation for our directors;

- reviewing all annual bonus, long-term incentive compensation, share option, employee pension and welfare benefit plans, setting performance targets of the executive officers under all annual bonus and long-term incentive compensation plans as appropriate, certifying that any and all performance targets of the executive officers have been met, and granting any awards under any performance-based annual bonus, long-term incentive compensation and equity compensation plans to the executive officers;
- periodically reviewing our policies concerning perquisite benefits, change of control or “parachute” payments, if any;
- reviewing and approving our executive officer and director indemnification and insurance matters; and
- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

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

Our nominating and corporate governance committee consists of Bo Yu, Man San Vincent Law and Qian Sun. Bo Yu is the chairman of our nominating and corporate governance committee. Our nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and executive officers and in determining the composition of the board and its committees. The nominating and corporate governance committee will be responsible for, among other things:

- identifying qualified candidates as consistent with the criteria approved by our board of directors for director nominees and recommending such candidates to the board for selection for all directorships to be filled by the board or by the shareholders;
- identifying qualified candidates as consistent with the criteria approved by our board of directors for executive officer nominees and recommending such candidates to our board of directors for selection;
- conducting annual reviews of our board of directors’ independence, qualifications and experiences in light of the availability of potential board members; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our internal rules and procedures to ensure compliance with applicable laws and regulations.

#### ***Strategy Committee***

Our strategic planning committee consists of Man San Vincent Law and Qian Sun. Man San Vincent Law is the chairman of our strategic planning committee. Our strategic planning committee assists the board of directors in designing the strategic plan of our business. Our strategic planning committee is responsible for, among other things:

- reviewing and providing guidance to our management and the board of directors with respect to our strategy for strategic transactions;
- reporting to our board of directors any strategic transactions being considered, or authorized and approved, by our management;
- notifying our nominating and corporate governance committee of any conflict of interest or related party transaction that comes to its attention; and
- exercising such additional powers and duties as may be reasonable, necessary or desirable, in the committee’s discretion, to fulfill its duties.

## Terms of Directors and Executive Officers

We have five directors, three of whom are independent directors, on our board of directors. Any director on our board may be appointed or removed by way of an ordinary resolution of shareholders. Any vacancies on our board of directors or additions to the existing board of directors can be filled by the affirmative vote of a majority of the remaining directors, provided that any candidate for the vacancy or addition must be nominated by our nominating and corporate governance committee. Each of our directors holds office until he or she is removed by an ordinary resolution of shareholders or by a resolution of the board.

All of our executive officers are appointed by and serve at the discretion of our board of directors. Our executive officers are elected by and may be removed by a majority vote of our board of directors, provided that any candidate for an executive officer position must be nominated by our nominating and corporate governance committee.

## Employment Agreements

We have entered into employment agreements with each of our executive officers. We may terminate an executive officer's employment for cause, at any time, without notice or remuneration, for certain acts of the officer, including, but not limited to, a conviction or plea of guilty to a felony, willful misconduct to our detriment or a failure to perform agreed duties. We may also terminate an executive officer's employment under certain conditions, including, but not limited to, incapacity or disability of the officer, by a one-month prior written notice or upon paying compensation of one-month salary to the officer. An executive officer may terminate his or her employment with us with or without cause, or by a one-month prior written notice. The benefits provided upon termination of employment is T+1 months' salary of the employee (T represents years of working experience in the Company).

### D. Employees

#### Employees

Our ability to maintain a trained management team and other employees is critical to the success of our business. We had a total of 171, 138 and 153 employees as of December 31, 2019, 2020 and 2021, respectively. The table below sets forth the number of employees categorized by function as of December 31, 2021.

<u>Function</u>	<u>Number of employees</u>
Management and Administration	6
Sales, Marketing and Website Operation	25
Technology and Product Development	68
Administrative Support	54
<b>Total</b>	<b>153</b>

The remuneration package of our employees includes salary, bonus, stock options and other cash benefits. In accordance with applicable regulations in China, we participate in a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a personal injury insurance plan, a maternity insurance plan and a housing reserve fund for the benefit of all of our employees. We have not experienced any material labor disputes or disputes with the labor department of the PRC government since our inception.

### E. Share Ownership

The following table sets forth information as of the date of this annual report with respect to the beneficial ownership of our ordinary shares, by:

- each person known to us to own beneficially more than 5.0% of our ordinary shares; and
- each of our directors and executive officers.



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Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Except as indicated below, and subject to applicable laws, the persons named in the table have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them. Percentage of beneficial ownership for each of the persons listed below is determined by dividing (i) the number of ordinary shares beneficially owned by such person, including ordinary shares such person has the right to acquire within 60 days after the date of this annual report by (ii) the total number of ordinary shares outstanding plus the number of ordinary shares such person has the right to acquire within 60 days after the date of this annual report. The total number of ordinary shares outstanding as of the date of this annual report is 710,078,070 Class A ordinary shares, 65,000 Class A preference shares and 99 Class B ordinary shares.

	<u>Shares Beneficially Owned</u> Number	Percent	<u>Percentage of Votes Held</u> Percent
<b>Directors and Executive Officers:</b>			
Man San Vincent Law <sup>(1)</sup>	107,105,819	14.9 %	55.3 %
Xianfeng Yang	*	*	*
Bo Yu	*	*	*
Qian Sun	*	*	*
Honghui Deng	*	*	*
Wong, Yan Ki Angel	*	*	*
Qiang Yuan	*	*	*
Directors and Executive Officers as a Group	119,754,439	16.5 %	56.0 %
<b>Principal Shareholders:</b>			
Tsinghua Unigroup Co., Ltd. <sup>(2)</sup>	140,141,810	19.7 %	10.3 %
Sequoia Capital 2010 CGF Holdco, Ltd. <sup>(3)</sup>	35,042,735	4.9 %	2.6 %

The business address of our directors and executive officers is Units 813&815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong.

\* Less than 1% of our outstanding ordinary shares.

(1) represents (i) 107,040,813 Class A ordinary shares composed of (a) 599,883 ADSs which represent 5,998,830 Class A ordinary shares owned by Delite Limited (“Delite”) as described below, (b) 85,572,963 Class A ordinary shares owned by Good Luck Capital Limited (“Good Luck”) as described below, and (c) 539,424 ADSs which represent 5,394,240 Class A ordinary shares owned by Mr. Law directly; , and (d) 10,074,780 Class A Ordinary Shares to be issued to Mr. Law upon the vest of the RSUs within 60 days of the date of this report granted to him under the 2021 Share Incentive Plan of the Issuer; (ii) 6 Class B ordinary shares which owned by Delite as described below; and (iii) 65,000 Class A preference shares which owned by Good Luck as described below. Delite directly holds (i) 6 Class B ordinary shares and owns (ii) 599,883 ADSs which represent 5,998,830 Class A ordinary shares. Delite is 100% owned by Mr. Law. Mr. Law indirectly holds all voting and investment powers of Delite and its assets, and is the sole director of Delite. Mr. Law may be deemed to beneficially own all of the ordinary shares (including Class A ordinary shares represented by the ADSs) held by Delite. Good Luck directly holds (i) 85,572,963 Class A ordinary shares, pursuant to the completion of a share purchase agreement entered into between Good Luck Information Technology Co., Ltd. and the Company dated December 21, 2020, which shares were later transferred to Good Luck, and (ii) 65,000 Class A Preference Shares. Mr. Law is the sole shareholder of Good Luck. Mr. Law indirectly holds all voting and investment powers of Good Luck and its assets, and is the sole director of Good Luck. Mr. Law may be deemed to beneficially own all of the ordinary shares and the Class A preference shares held by Good Luck. Delite is a British Virgin Islands company with its address at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. Good Luck is a British Virgin Islands company with its address at Trinity Chambers, P.O. Box 4301, Road Town, Tortola, British Virgin Islands.

- (2) represents (i) 63,500,500 Class A ordinary shares held by Tsinghua Unigroup International Co., Ltd., or TU International, (ii) 68,160,490 Class A ordinary shares underlying 6,816,049 ADSs held by TU International, and (iii) 8,273,560 Class A ordinary shares underlying 827,356 ADSs held by Unis Technology Strategy Investment Limited, or Unis. Tsinghua Unigroup Capital Management Co., Ltd., or TU Capital, is the direct parent company of TU International. Unis is a direct wholly-owned subsidiary of TU Capital. Tsinghua Unigroup Co., Ltd. is the indirect, but controlling, parent company of TU International, and the direct parent company of TU Capital. Each of TU International and Tsinghua Unigroup Co., Ltd. is a company with limited liability incorporated under the laws of the British Virgin Islands. TU Capital is a limited liability company registered and existing under the laws of the PRC. The business address of Tsinghua Unigroup Co., Ltd. is F10 Unis Plaza, Tsinghua Science Park, Haidian District, Beijing, PRC 100084.
- (3) represents (i) 5 Class B ordinary shares, and (ii) 3,504,273 Restricted ADSs which represent 35,042,730 Class A ordinary shares, owned by Sequoia Capital 2010 CGF Holdco, Ltd. Sequoia Capital 2010 CGF Holdco, Ltd. is wholly owned by Sequoia Capital China Growth 2010 Fund, L.P., Sequoia Capital China Growth 2010 Partners Fund, L.P. and Sequoia Capital China Growth 2010 Principals Fund, L.P. (collectively “SCC 2010 Growth Funds”). The SCC 2010 Growth Funds’ general partner is SC China Growth 2010 Management, L.P. The general partner of SC China Growth 2010 Management, L.P. is SC China Holding Limited, a company incorporated in the Cayman Islands. SC China Holding Limited is wholly owned by SNP China Enterprises Limited, a company wholly owned by Mr. Neil Nanpeng Shen. Mr. Neil Nanpeng Shen has the power to direct Sequoia Capital 2010 CGF Holdco, Ltd. as to the voting and disposition of shares directly or indirectly held by Sequoia Capital 2010 CGF Holdco, Ltd., Mr. Shen disclaims beneficial ownership of the shares held by Sequoia Capital 2010 CGF Holdco, Ltd., except to the extent of his pecuniary interest therein. The registered address of Sequoia Capital 2010 CGF Holdco, Ltd. is Cricket Square, Hutchins Drive, PO box 2681, Grand Cayman, KY1-1111, Cayman Islands.

As of the date of this annual report, we are not aware of any of our shareholders being affiliated with a registered broker-dealer or being in the business of underwriting securities.

As of the date of this annual report, a total of 54,991,624 ADSs representing 549,916,240 Class A ordinary shares were outstanding. Such ordinary shares were registered in the name of a nominee of Deutsche Bank Trust Company Americas, the depository for the ADSs. We have no further information as to ordinary shares or ADSs held, or beneficially owned, by U.S. persons.

Please refer to “— B. Compensation—Compensation of Directors and Executive Officers — Share Incentive Plans” above for information regarding options, restricted shares and other share-based awards granted to our employees, directors and consultants.

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. Major Shareholders**

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

### **B. Related Party Transactions**

#### **Non-Interest-Bearing Borrowings from Related Parties**

Since January 1, 2019, we have not provided any loans to certain directors or entities controlled by certain directors, executive officers or principal shareholders of our company. As of December 31, 2019, 2020 and 2021, there were no outstanding balance due from these related parties.

#### **Interest-Bearing Borrowings from Related Parties**

Please refer to Note 19. RELATED PARTY TRANSACTIONS of the Notes to Consolidated Financial Statements included in Item 18 of this annual report on Form 20-F.

## **Reorganization and Private Placement**

See “Item 4. Information on the Company—A. History and Development of the Company” and “Item 4. Information on the Company—C. Organizational Structure.”

## **Share Incentives**

For a discussion of the share option plan we adopted in 2011 and 2021, see “Item 6. Directors, Senior Management and Employees—Compensation of Directors and Executive Officers—Share Incentive Plans.”

### **C. Interests of Experts and Counsel**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. Consolidated Statements and Other Financial Information**

We have appended consolidated financial statements filed as part of this annual report.

## **Legal and Administrative Proceedings**

Please refer to “Item 4. Information on the Company—B. Business Overview—Legal and Administrative Proceedings.”

## **Dividend Policy**

We currently intend to permanently reinvest all available funds and any future earnings to fund growth and expansion of our business and, therefore, we do not expect to pay any cash dividends on our ordinary shares, including those represented by ADSs, in the foreseeable future. We currently have no specific intention to issue share dividends in the future. Any future determination to pay dividends will be made at the discretion of our board of directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Description of American Depositary Shares” in our F-1 registration statement (File No. 333-191844), as amended, initially filed with the Commission on October 22, 2013. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

### **B. Significant Changes**

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

## **ITEM 9. THE OFFER AND LISTING**

### **A. Offering and Listing Details**

Our ADSs, each representing ten of our Class A ordinary shares, have been listed on the NYSE since November 22, 2013 under the symbol “WBAI.” Our ticker symbol on the NYSE changed from “WBAI” to “BTCM” effective at the opening of trading on April 20, 2021.

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

Not applicable.

**C. Markets**

Our ADSs, each representing ten of our Class A ordinary shares, have been trading on the NYSE since November 22, 2013. From November 22, 2013 to April 19, 2021, our ADSs traded on the NYSE under the Company's former English name "500.com Limited" and its former ticker symbol "WBAI." Consistent with a special resolution passed by the Company's shareholders at an extraordinary general meeting held on April 8, 2021, our ADSs began trading under the Company's new English name "BIT Mining Limited," and its new ticker symbol "BTCM," effective at the opening of trading on April 20, 2021.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

We incorporate by reference into this annual report the description of our second amended and restated memorandum of association contained in our F-1 registration statement (File No. 333-191844), as amended, initially filed with the Commission on October 22, 2013. Our shareholders adopted our second amended and restated memorandum and articles of association by unanimous resolutions upon the completion of our initial public offering on November 22, 2013. The second amended and restated memorandum and articles of association was further amended by a special resolution passed on December 30, 2016.

**C. Material Contracts**

In connection with our acquisition of a 93% equity interest in TMG in 2017, we entered into a shareholders' agreement with Helmet Limited, or Helmet, which owns the remaining 7% equity interest (post-acquisition). Pursuant to this shareholders' agreement, if Thomas Biro resigns from his employment with TMG, or his employment is terminated for whatever reason, Helmet has the right to request that we, on one occasion, purchase all or some of the TMG shares then held by Helmet. This right is exercisable within one year from the aforementioned resignation. However, such right is not exercisable if Mr. Biro resigns before December 31, 2018. When the notice to exercise such right is delivered, we and Helmet shall, within 30 business days, establish a fair market value as the purchase price for the TMG shares subject to sale. If both parties fail to reach an agreement during such period, the fair market value of those TMG shares will be decided by an independent valuation expert appointed by both parties. If the parties are not able to decide on an independent valuation expert, such expert shall be appointed in accordance with the dispute resolution provisions under the shareholders' agreement. As of the date of this annual report, we have received the redemption notice from Helmet, which requested the Company to repurchase the 7% equity interest held by Helmet at a redemption price of EUR3,745,000. On April 10, 2020, we reached a settlement agreement to purchase the 7% equity interest in TMG held by Helmet at a final redemption price of EUR1,900,000. We fully paid this final redemption price on April 20, 2020. We adjusted the carrying amount of the 7% redeemable noncontrolling interest to equal to the final redemption amount of EUR1,900,000 as of December 31, 2019. See "Item 4. Information on the Company—B. Business Overview—Legal and Administrative Proceedings."

On December 21, 2020, we entered into a definitive share subscription agreement with Good Luck Information Technology Co., Limited, Good Luck Information, a company incorporated in Hong Kong, for the issuance and sale of newly issued Class A ordinary shares of the Company. Good Luck Information agreed to purchase 85,572,963 newly issued Class A Shares for a total purchase price of approximately US\$23 million, to be settled in U.S. dollars or in crypto-currencies, including bitcoin (BHC), to be determined by us within one month of the date of the share subscription agreement. Good Luck Information agreed to make full payment of the purchase price in currencies determined by the Company within one month of the Company's determination. The per share purchase price of US\$0.269 was the closing trading price of the Company's ADSs on December 18, 2020, the last trading day immediately preceding the date of the purchase agreement, as adjusted by a 1-to-10 ADS to ordinary shares ratio. On January 21, 2021, we announced our determination that 50% of the subscription price, or US\$11.5 million, would be settled by U.S. dollars, with the remaining 50% of the subscription price, or approximately US\$11.5 million, to be settled by bitcoin. The bitcoin to U.S. dollars exchange rate was US\$32,326.29 to one bitcoin, being the average of the closing trading prices for bitcoin published by Coinmarketcap for each of the 31 days ended January 20, 2021. On February 23, 2021, we announced the closing of the transaction, that we had received 356.04342 bitcoins and US\$11.5 million in cash from Good Luck Information, and 85,572,963 Class A ordinary shares had been newly issued to Good Luck Information. Good Luck Information agreed to subject all the shares it or its affiliate receives in the transaction to a contractual lock-up restriction for 180 days after the closing, or until August 22, 2021.

In January 2021, we entered into a share subscription agreement, pursuant to which we conditionally agreed to subscribe for 169,354,839 shares of Loto Interactive, at a price of HK\$0.62 per share for a total consideration of approximately HK\$105 million (approximately US\$13.5 million) in cash. On March 31, 2021, we completed the subscription of 54.2% of Loto Interactive's shares, and Loto Interactive became our subsidiary. Concurrently with the completion of the share subscription of Loto Interactive, Loto Interactive completed its acquisition of the remaining equity interests in its indirectly held subsidiary, Ganzi Changhe Hydropower Consumption Service Co. Ltd ("Ganzi Changhe"), for a total consideration of approximately RMB88.2 million (approximately US\$13.6 million) in cash. On June 18, 2021, we completed a cash offer to acquire all the shares in issuance of Loto Interactive other than those already owned or agreed to be acquired by us, and a cash offer for the cancellation of all options of Loto Interactive. Upon the closing of such cash offers, we acquired a total of 30,642,534 shares and a total of 6,800,000 options, which will be cancelled, and our ownership in Loto Interactive increased to 59.79%.

In February 2021, we also announced that we entered into a share exchange agreement with Blockchain Alliance Technologies Holding Company, a Cayman Islands company and a "Non-U.S. Person" as defined in Regulation S of the Securities Act, pursuant to which we agreed to issue an aggregate of 44,353,435 Class A ordinary shares of our company to Blockchain Alliance at the first closing, which shares represent approximately 10% of our outstanding shares as of January 31, 2021, in exchange for the entire outstanding share capital of Blockchain Alliance Technologies Limited held by Blockchain Alliance after the reorganization. The first closing of the transactions contemplated by the share exchange agreement is subject to certain closing conditions, which include, among others, the transfer to the Company of the entire mining pool business of Bitdeer Technologies Holding Company operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com (collectively, the "BTC.com Pool Businesses"). We and Blockchain Alliance also agreed that, if the BTC.com Pool Businesses record net operating profit in the twelve-month period from April 1, 2021 to March 31, 2022, we shall issue additional Class A Ordinary Shares to Blockchain Alliance at par value. Assuming such net operating profit is no less than US\$20 million, a maximum of 22,176,718 additional Class A ordinary shares shall be issuable, which additional Class A ordinary shares represent approximately 5% of the Company's outstanding shares as of January 31, 2021. If the BTC.com Pool Businesses record net operating loss in the twelve-month period from April 1, 2021 to March 31, 2022, we shall be entitled to repurchase certain Class A ordinary shares held by Blockchain Alliance at par value. Assuming such net operating loss is no less than US\$10 million, a maximum of 4,435,344 Class A ordinary shares shall be subject to such repurchase arrangement, which Class A ordinary shares represent approximately 1% of our outstanding shares as of January 31, 2021. The BTC.com Pool Businesses offer a one-stop mining experience for users. Users can search and browse real-time blockchain information through BTC.com and manage their cryptocurrency mining business through the BTC.com Pool website or app. In addition, users can save the cryptocurrencies that they have mined in the BTC.com cryptocurrency wallet. BTC.com Pool is a multi-currency integrated mining pool established in 2016 that has a hash rate of around 17 EH/s and supports various cryptocurrencies, including BTC, BCH, ETH and LTC. Blockchain Alliance has agreed to subject the Class A ordinary shares that it receives in the abovementioned transactions to agreed lock-up periods in accordance with the share exchange agreement. BitDeer was the parent company of Blockchain Alliance. BitDeer's biggest beneficially owner is Mr. Wu Jihan, BitDeer's chairman.

In September 2021 we entered into a Membership Interest Purchase Agreement and certain other auxiliary agreements (the “Ohio Mining Site Agreements”) with Viking Data Centers, LLC (“Viking Data Centers”) to acquire a 51% equity interest in a cryptocurrency mining data center in Ohio (the “Ohio Mining Site”) with power capacity of up to 85 megawatts. In October 2021, we increased our investment in the Ohio Mining Site and brought its total planned power capacity up to 150 megawatts. Upon the successful execution of the increased investment, the Company’s equity interest in the Ohio Mining Site increased to 55%, and Viking Data Centers held the remaining 45%.

As of December 31, 2021, we had not entered into any other material contracts, other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report.

**D. Exchange Controls**

None.

**E. Taxation**

*Cayman Islands Taxation*

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. No Cayman Islands stamp duty will be payable unless an instrument is executed in, brought to, or produced before a court of the Cayman Islands. The Cayman Islands are not parties to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

*United States Federal Income Taxation*

The following discussion describes the material United States federal income tax consequences of the ownership of our ADSs and Class A ordinary shares as of the date hereof. The discussion is applicable only to United States Holders (as defined below) who hold ADSs or Class A ordinary shares as capital assets. As used herein, the term “United States Holder” means a beneficial owner of an ADS or Class A ordinary share that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This discussion does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;

- a tax-exempt organization;
- a person holding our ADSs or Class A ordinary shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our stock (by vote or value);
- a partnership or other pass-through entity for United States federal income tax purposes;
- a person required to accelerate the recognition of any item of gross income with respect to our ADSs or Class A ordinary shares as a result of such income being recognized on an applicable financial statement; or
- a person whose “functional currency” is not the United States dollar.

The discussion below is based upon the provision of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified, perhaps retroactively, so as to result in United States federal income tax consequences different from those discussed below. In addition, this discussion is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

If a partnership (or other entity or arrangement treated as a partnership for United States federal income tax purposes) holds our ADSs or Class A ordinary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our ADSs or Class A ordinary shares, you are urged to consult your tax advisors.

**This discussion does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income, United States federal estate and gift taxes, or the effects of any state, local or non-United States tax laws. If you are considering the purchase, ownership or disposition of our ADSs or Class A ordinary shares, you are urged to consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under other United States federal tax laws (such as estate and gift taxes) and the laws of any other taxing jurisdiction.**

#### *ADSs*

If you hold ADSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying Class A ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will not be subject to United States federal income tax.

#### *Taxation of Dividends*

Subject to the discussion under “—Passive Foreign Investment Company” below, the gross amount of distributions on the ADSs or Class A ordinary shares will be taxable as dividends, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of the Class A ordinary shares, or by the depositary, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code. Subject to applicable limitations (including a minimum holding period requirement), dividends received by non-corporate United States investors from a qualified foreign corporation generally will be subject to reduced rates of taxation.

A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on ordinary shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs, which are listed on the NYSE, are readily tradable on an established securities market in the United States. Thus, we believe that dividends we pay on our ADSs will meet the conditions required for the reduced tax rates. Since we do not expect that our Class A ordinary shares will be listed on an established securities market in the United States, we do not believe that dividends that we pay on our Class A ordinary shares that are not represented by ADSs currently meet the conditions required for these reduced tax rates. There also can be no assurance that our ADSs will be considered readily tradable on an established securities market in the United States in later years. You are urged to consult your own tax advisors regarding the application of these rules given your particular circumstances.

In addition, notwithstanding the foregoing, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. See “—Passive Foreign Investment Company” below.

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

#### *Passive Foreign Investment Company*

Based on our financial statements and the composition of our income and assets and the valuation of our assets, we do not believe we were a PFIC for 2021 for United States federal income tax purposes, although there can be no assurances in this regard. Additionally, it is possible that we may be a PFIC in 2022 or future taxable years.

In general, we will be a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income, or
- at least 50% of the value (determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). In addition, cash is generally treated as an asset that produces passive income. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income.

Additionally, we expect the activities of our mining pool business to be treated as generating active income, rather than passive income, and accordingly, we do not expect to be a PFIC. If it were determined that the activities of our mining pool business generated passive income for United States federal income tax purposes, we would likely be treated as a PFIC. The application of the PFIC rules to digital assets and cloud computing (and transactions related thereto) is subject to significant uncertainty. Among other things, the IRS has issued very limited guidance on the treatment of income from activities such as those conducted by our mining pool business. Accordingly, the IRS or a court may disagree with our determinations, and it is possible that we could be treated as a PFIC in current and/or future taxable periods.



The determination of whether we are a PFIC is made annually. Accordingly, it is possible that our PFIC status may change due to changes in our asset or income composition or the treatment of our mining pool business as an active business, as discussed above. The calculation of the value of our assets will also be based, in part, on the quarterly market value of our ADSs, which is subject to change. Therefore, a decrease in the price of our ADSs may result in our becoming a PFIC. If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares, you will be subject to special tax rules discussed below. If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares and you do not make a timely mark-to-market election (as described below), you will be subject to special tax rules with respect to any “excess distribution” received and any gain realized from a sale or other disposition, including a pledge, of ADSs or Class A ordinary shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the ADSs or Class A ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or Class A ordinary shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year for individuals or corporations, as applicable, and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In addition, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. You will generally be required to file IRS Form 8621 if you hold our ADSs or Class A ordinary shares in any year in which we are classified as a PFIC.

If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares and any of our non-United States subsidiaries is also a PFIC, a United States Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In lieu of being subject to the rules discussed above regarding excess distributions and realized gains, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded on a qualified exchange. Since our ADSs are listed on the NYSE, which constitutes a qualified exchange, under current law, the mark-to-market election will be available to holders of ADSs if the ADSs are “regularly traded” for purposes of the mark-to-market election (for which no assurance can be given). It should also be noted that only the ADSs and not the Class A ordinary shares are listed on the NYSE. Consequently, if you are a holder of Class A ordinary shares that are not represented by ADSs, you generally will not be eligible to make a mark-to-market election if we are or were to become a PFIC.

If you make an effective mark-to-market election, you will include in each year that we are a PFIC as ordinary income the excess of the fair market value of your ADSs at the end of the year over your adjusted tax basis in the ADSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, any gain you recognize upon the sale or other disposition of your ADSs in a year that we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

Your adjusted tax basis in the ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

A U.S. investor in a PFIC generally can mitigate the consequences of the rules described above by electing to treat the PFIC as a “qualified electing fund” under Section 1295 of the Code. However, this option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election. You are urged to consult your tax advisors concerning the uncertain application of the PFIC rules to us and the United States federal income tax consequences of holding ADSs or Class A ordinary shares if we are considered a PFIC in any taxable year.

#### *Taxation of Capital Gains*

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized for the ADSs or Class A ordinary shares and your tax basis in the ADSs or Class A ordinary shares. Subject to the discussion under “—Passive Foreign Investment Company” above, such gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss.

#### *Information Reporting and Backup Withholding*

In general, information reporting will apply to dividends in respect of our ADSs or Class A ordinary shares and the proceeds from the sale, exchange or other disposition of our ADSs or Class A ordinary shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding tax generally would apply to such payments if you fail to provide a taxpayer identification number or certification of exempt status or if you fail to report in full dividend and interest income. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the IRS in a timely manner.

Certain United States Holders are required to report information relating to ADSs or Class A ordinary shares, subject to certain exceptions (including an exception for ADSs or Class A ordinary shares held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold the ADSs or common shares. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the ADSs or Class A ordinary shares.

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

Not applicable.

#### **G.**     Statement by Experts

Not applicable.

#### **H.**     Documents on Display

We have filed this annual report, including exhibits, with the SEC. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

You may read and copy this annual report, including the exhibits incorporated by reference in this annual report, at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC’s regional offices in New York, New York and Chicago, Illinois. You can also request copies of this annual report, including the exhibits incorporated by reference in this annual report, upon payment of a duplicating fee, by writing information on the operation of the SEC’s Public Reference Room.

The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC. Our annual report and some of the other information submitted by us to the SEC may be accessed through this web site.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP.

We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

**I. Subsidiary Information**

Not Applicable.

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

*Foreign Exchange Risk*

We operate in Europe, Africa, South America and North America. We are exposed to foreign exchange risk to the extent that there is a mismatch between the currencies in which revenues, expenses and borrowings are denominated.

Much of our current revenue is derived from our mining pool business, which uses the U.S. Dollars as its functional currency. Starting from the third quarter of 2021, the Company has changed its reporting currency from the Renminbi to the U.S. Dollar, to reduce the impact of increased volatility of the U.S. Dollar to Renminbi exchange rate on the Company's reported operating results. The alignment of the reporting currency with underlying operations will better depict the Company's results of operations for each period. The related financial statements prior to July 1, 2021 have been recast to U.S. Dollar as if the financial statements originally had been presented in U.S. Dollar since the earliest periods presented.

As of December 31, 2021, we had Renminbi denominated cash and cash equivalents and restricted cash of RMB42.6 million, EUR denominated cash and cash equivalents and restricted cash of EUR0.5 million, and U.S. dollar denominated cash and cash equivalents of US\$10.6 million. We had converted RMB42.6 million into U.S. dollars at the exchange rate of RMB6.3726 for US\$1.00 and EUR0.5 million into U.S. dollars at the exchange rate of EUR0.8835 for US\$1.00 as of the end of 2021, our total U.S. dollar cash balance was US\$17.8 million. If the Renminbi and EUR had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US\$17.1 million.

*Interest Rate Risk*

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank accounts. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

*Inflation*

According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 2.9% in 2019, 2.5% in 2020 and 2.5% in 2021. We have not in the past been materially affected by any such inflation, but we can provide no assurance that we will not be affected in the future.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. Debt Securities**

Not applicable

**B. Warrants and Rights**

Not applicable

**C. Other Securities**

Not applicable

**D. American Depositary Shares**

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, US\$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADRs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of up to US\$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to US\$0.05 per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of up to US\$0.05 per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of the depositary's agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Our depositary has agreed to reimburse us for certain expenses we incur that are related to the establishment and maintenance of the ADR program, including investor relations expenses and exchange application and listing fees. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the ADR program are not known at this time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide services to any holder until the fees and expenses owing by such holder for those services or otherwise are paid.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

#### A. Material Modifications to the Rights of Securities Holders

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

#### B. Use of Proceeds

We completed our initial public offering of 66,539,000 Class A ordinary shares, in the form of ADSs, at a price of US\$13.00 per ADS, in November 2013, after our ordinary shares and American Depositary Receipts were registered under the Securities Act. The aggregate price of the offering amount registered and sold was US\$86.5 million, of which we received net proceeds of US\$80.5 million. Deutsche Bank Securities Inc., Piper Jaffray & Co., and Oppenheimer & Co. Inc. were the underwriters for the initial public offering of our ADSs.

As of December 31, 2021, all US\$80.5 million of the net proceeds from our initial public offering had been used for capital expenditures.

### ITEM 15. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our management has concluded that, as of December 31, 2021, our disclosure controls and procedures were not effective, due to the material weakness identified by us and our independent registered public accounting firm, and described below under “Management’s Annual Report on Internal Control over Financial Reporting.”

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Under the supervision of and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2021, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). We excluded from our assessment the internal control over financial reporting of Loto Interactive Limited and Alliance International Technologies Limited with total assets of \$144.2 million (of which \$81.0 million represents goodwill and intangibles included within the scope of the assessment), total revenues of \$1,287.2 million and total loss before income taxes of \$55.4 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2021. As part of our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2021, management identified the following material weakness: the Company did not adequately maintain and implement controls over its process over the accounting and valuation of certain aspects of business combinations and asset acquisition involving significant estimates.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

This material weaknesses did not result in any identified material misstatements to the financial statements, and there were no changes to previously released financial results. Based on this material weaknesses, management concluded that at December 31, 2021, internal control over financial reporting was not effective.

Our independent registered public accounting firm, MaloneBailey, LLP, has issued an adverse audit report on the effectiveness of internal control over financial reporting as of December 31, 2021, which appears on page F-4 of this annual report.

### **Remediation**

In connection with the preparation and external audit of our consolidated financial statements as of and for the year ended December 31, 2021, we and our auditors, an independent registered public accounting firm, noted a material weakness in our internal control over financial reporting. The material weakness that was identified relates to inadequate maintenance and implementation of controls over the accounting and valuation of certain aspects of business combinations and asset acquisition involving significant estimates. Following the identification of this material weakness, our management commenced implementation of a remediation plan. The remediation plan includes the following steps to improve our internal control over financial reporting:

- We are optimizing the business combination and asset acquisition process, adding more detailed descriptions of our evaluation process and methodology of key matters.
- With respect to business combinations and asset acquisition, we are implementing more rigorous procedures for critical accounting estimates and the related financial reporting process to ensure better reliability of controls and financial reporting.

- We are providing additional and appropriate training for management and relevant functions involved in business combinations and asset acquisitions, particularly training related to business combinations and asset acquisitions controls under the Sarbanes-Oxley Act of 2002.
- We are enhancing documentation of management’s review process relating to business combination and asset acquisition accounting in a more timely manner.

While we intend to fully address the material weakness in our internal control over financial reporting by the end of 2022, the foregoing remediation measures may not be sufficient and we may need to implement additional measures and enhance their implementation. We are not able to estimate with reasonable certainty the costs that we will need to incur to implement these and other measures designed to improve our internal control over financial reporting. The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. See “Item 3. Key Information—D. Risk Factors — Risks Related to Our Business and Industry — A material weakness in our internal control over financial reporting has been identified, and if we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, meet our reporting obligations or prevent fraud.”

The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. See “Item 3. Key Information—D. Risk Factors — Risks Related to Our Business and Industry — A material weakness in our internal control over financial reporting has been identified, and if we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, meet our reporting obligations or prevent fraud.”

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

As previously described, we acquired Loto Interactive Limited and Alliance International Technologies Limited during the year ended December 31, 2021. We have not fully evaluated any changes in internal control over financial reporting associated with the acquired businesses and therefore any material changes that may result from these acquisitions have not been disclosed in this report. We intend to disclose all material changes resulting from these acquisitions within or prior to the time of our first annual assessment of internal control over financial reporting that is required to include these entities.

Except for the material weakness identified as of December 31, 2021, and except for the remedial measures described above, there have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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

Our Board of Directors has determined that Wong, Yan Ki Angel, an independent director within the meaning of Section 303A of the NYSE Listed Company Manual, and the chairman of our audit committee, qualifies as an “audit committee financial expert” as defined in Item 16A of Form 20-F.

#### **ITEM 16B. CODE OF ETHICS**

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, chief strategy officer, financial controller and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as an exhibit to our registration statement on Form F-1. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person’s written request.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Friedman LLP, our former independent registered public accounting firm, for the year ended December 31, 2020, and by MaloneBailey, LLP, our current independent registered public accounting firm, for the years ended December 31, 2020 and 2021.

	<b>For the Years Ended December 31,</b>	
	<b>2020 (recast)</b>	<b>2021</b>
	<b>US\$</b>	<b>US\$</b>
	<b>(in thousands)</b>	
Audit fees <sup>(1)</sup>	1,040	1,020
Audit related fees <sup>(2)</sup>	90	690
Total	<u>1,130</u>	<u>1,710</u>

- (1) Audit fees consist of fees billed for professional services rendered for the audit of our year-end financial statements and services that are normally provided by our independent registered public accounting firm in connection with regulatory filings. The above amounts include interim procedures and audit fees, as well as attendance at Board meetings.
- (2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to performance of the audit or review of our financial statements and are not reported under “Audit Fees.” These services include attest services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards.

The policy of our audit committee is to pre-approve all audit and non-audit services, such as audit-related, tax and other services, as provided by our independent registered public accounting firm.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

In February 2015, our board of directors approved a share repurchase program, which provided authorization to purchase up to US\$30 million worth of our outstanding ADSs. Under this plan, in 2015, we purchased approximately 122,000 ADSs (equivalent to 1,220,000 of our ordinary shares) with a total consideration of approximately US\$1.43 million. In 2016, we purchased approximately 114,153 ADSs (equivalent to 1,141,532 of our ordinary shares) with a total consideration of approximately US\$17.24 million. In 2017, we purchased approximately 260,200 ADSs (equivalent to 2,602,000 of our ordinary shares) with a total consideration of approximately US\$3.0 million. We did not repurchase any ADSs in 2021, being the period covered by this annual report.

**ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT**

On September 23, 2020, Friedman LLP resigned as auditor of the Company.

The Company appointed MaloneBailey, LLP on September 27, 2020 to conduct an audit of the Company’s consolidated financial statements for the fiscal year ended December 31, 2019 and effectiveness of its internal control over financial reporting as of December 31, 2019, and to re-audit the Company’s consolidated financial statements for each of the fiscal years ended December 31, 2017 and 2018. Pursuant to the Company’s articles of association, the decision to appoint a new auditor was unanimously approved by the directors of the Company, including all members of the Company’s Audit Committee, on September 27, 2020.



Friedman LLP elected to resign as the auditors of the Company because of the disagreement with the management of the Company on the effectiveness of the Company's internal control over financial reporting in light of certain alleged unlawful payments ("Payments") by three former consultants while they were engaged by the Company in connection with the potential development of an integrated casino resort project in Japan. The Company is not involved in any legal proceeding in Japan but has treated the allegations seriously. As announced by the Company in its December 31, 2019 and January 16, 2020 press releases furnished to the SEC on Form 6-K, the Special Investigation Committee ("SIC") of the Company's Board of Directors engaged King & Wood Mallesons ("KWM") to investigate the money transfers and the related conduct of the Company's Japanese consultants.

As of September 28, 2020, KWM had completed a substantial portion of its investigation, and presented a preliminary review to the SIC. The SIC, after considering KWM's findings, did not identify any violation of the U.S. Foreign Corrupt Practices Act of 1977 by the Company in connection with the Payments or the Company's prior activities in Japan, which view was shared with Friedman LLP. The SIC was also in the process of reviewing the Company's compliance policies, procedures and internal controls based on the recommendations from KWM, and the Company had updated and will continue to enhance its policies, procedures and internal controls as appropriate. Regardless, Friedman LLP determined that the Payments may have reflected material weakness in relation to internal controls of the Company. Friedman LLP further advised us on September 23, 2020 that because some of the Payments had occurred in 2017 and 2018, the allegedly unlawful purpose of which was not known to Friedman LLP at the date of the audit reports relating to the Company's consolidated financial statements for the years ended December 31, 2017 and 2018. Accordingly, the integrated audit reports issued by Friedman LLP on the Company's consolidated financial statements for fiscal years ended December 31, 2017 and 2018 should no longer be relied upon.

The Company's Audit Committee discussed the issue with Friedman LLP, and it does not agree with Friedman's conclusion. The Audit Committee is not aware of any information suggesting that the relevant audit reports are inaccurate or misleading. Friedman LLP's audit reports on the Company's consolidated financial statements for each of the fiscal years ended December 31, 2017 and 2018 do not contain an adverse opinion or a disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope, or accounting principles.

During Friedman LLP's term as the Company's independent auditors, except for the above-mentioned disagreement, Friedman LLP did not have any other disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Friedman LLP, would have caused Friedman LLP to make reference to the subject matter of the disagreements in connection with its audit reports. During each of the fiscal years ended December 31, 2017 and 2018, there have been no other reportable events requiring disclosures, as defined in Item 16F(a)(1)(v) of Form 20-F.

The Company announced the resignation of Friedman LLP and the appointment of MaloneBailey, LLP in a press release, dated September 28, 2020, which included the above statements. On the same date, the Company filed the press release as Exhibit 99.1 to a Current Report on Form 6-K. We provided a copy of the above statements to Friedman LLP and requested that Friedman LLP furnish a letter addressed to the SEC stating whether it agrees with the above statements, and if not, stating the respects in which it does not agree. The copy of the letter from Friedman LLP addressed to the SEC, dated September 28, 2020, was filed as Exhibit 16.1 to the Current Report on Form 6-K, and is incorporated by reference into this annual report.

On October 7, 2020, the Company announced that the SIC of the Company's Board completed its internal investigation. See "Item 4. Information on the Company—A. History and Development of the Company—COVID-19 Relief and Late Filing" and "Item 4. Information on the Company—B. Business Overview—Legal and Administrative Proceedings."

During each of the fiscal years ended December 31, 2017 and 2018 and the subsequent period prior to our engagement of MaloneBailey, LLP neither we nor anyone on our behalf consulted MaloneBailey, LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, or (ii) any matter that was either the subject of a disagreement with Friedman or a reportable event.

During each of the fiscal years ended December 31, 2017 and 2018 and the subsequent period prior to our engagement of MaloneBailey, LLP, we have not obtained any written report or oral advice that MaloneBailey, LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue.

**ITEM 16G. CORPORATE GOVERNANCE**

We have followed and intend to continue to follow the applicable corporate governance standards under the NYSE Corporate Governance Rules. We are not aware of any significant differences between our corporate governance practices and those followed by domestic companies under NYSE listing standards.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

Our consolidated financial statements are included at the end of this annual report.

**ITEM 19. EXHIBITS**

- 1.1 [Amended and Restated Memorandum and Articles of Association of the Registrant \(incorporated by reference to Exhibit 3.2 to our Registration Statement on Form F-1 \(File No. 333-191844\), as amended, initially filed with the SEC on October 22, 2013\)](#)
- 2.1 [Specimen American Depositary Receipt of the Registrant \(incorporated by reference to Exhibit 4.1 to our Registration Statement on Form F-1 \(File No. 333-191844\), as amended, initially filed with the SEC on October 22, 2013\)](#)
- 2.2 [Specimen Certificate for Ordinary Shares of the Registrant \(incorporated by reference to Exhibit 4.2 to our Registration Statement on Form F-1 \(File No. 333-191844\), as amended, initially filed with the SEC on October 22, 2013\)](#)
- 2.3 [Form of Deposit Agreement among the Registrant, the depository and holder of the American Depositary Receipts Registrant \(incorporated by reference to Exhibit 4.3 to our Registration Statement on Form F-1 \(File No. 333-191844\), as amended, initially filed with the SEC on October 22, 2013\)](#)
- 2.4\* [Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934](#)
- 4.1 [Registrant's 2011 Share Incentive Plan \(incorporated by reference to Exhibit 10.1 to our Registration Statement on Form F-1 \(File No. 333-191844\), as amended, initially filed with the SEC on October 22, 2013\)](#)
- 4.2 [Form of Employment Agreement with the Registrant's executive officers \(incorporated by reference to Exhibit 10.2 to our Registration Statement on Form F-1 \(File No. 333-191844\), as amended, initially filed with the SEC on October 22, 2013\)](#)
- 4.3 [Form of Indemnification Agreement with the Registrant's directors and executive officers, \(incorporated by reference to Exhibit 10.3 to our Registration Statement on Form F-1 \(File No. 333-191844\), as amended, initially filed with the SEC on October 22, 2013\)](#)
- 4.4 [Share Purchase Agreement entered into by and among the Registrant and certain selling shareholders on May 26, 2017 regarding The Multi Group Ltd. \(incorporated by reference to Exhibit 4.93 to our Annual Report on Form 20-F filed with the SEC on April 27, 2018\)](#)
- 4.5 [Shareholder's Agreement entered into by and between the Registrant and Helmet Limited on May 26, 2017 regarding The Multi Group Ltd. \(incorporated by reference to Exhibit 4.94 to our Annual Report on Form 20-F filed with the SEC on April 27, 2018\)](#)
- 4.6 [Sale and Purchase Agreement entered into by and between the Registrant and Melco LottVentures Holdings Limited on June 6, 2017 regarding MelcoLot Limited \(incorporated by reference to Exhibit 4.95 to our Annual Report on Form 20-F filed with the SEC on April 27, 2018\)](#)
- 4.7 [Share Purchase Agreement, dated December 21, 2020, by and among the Registrant and Good Luck Information Technology Co., Limited \(incorporated by reference to Exhibit 4.68 to our Annual Report on Form 20-F filed with the SEC on April 14, 2021\)](#)
- 4.8 [Registrant's 2021 Share Incentive Plan \(incorporated by reference to Exhibit 4.69 to our Annual Report on Form 20-F filed with the SEC on April 14, 2021\)](#)
- 4.9 [Securities Purchase Agreement dated July 12, 2021 \(incorporated by reference to Exhibit 10.1 to our Registration Statement on Form F-3 \(File No. 333-258329\), as amended, initially filed with the SEC on July 30, 2021\)](#)
- 4.10 [Share Subscription Agreement between the Registrant and Loto Interactive Limited dated January 28, 2021 \(incorporated by reference to Exhibit 10.2 to our Registration Statement on Form F-3 \(File No. 333-258329\), as amended, initially filed with the SEC on July 30, 2021\)](#)
- 4.11 [Share Exchange Agreement between the Registrant and Blockchain Alliance Technologies Holding Company dated February 16, 2021 \(incorporated by reference to Exhibit 10.3 to our Registration Statement on Form F-3 \(File No. 333-258329\), as amended, initially filed with the SEC on July 30, 2021\)](#)
- 4.12 [Amendment to the Share Exchange Agreement between the Registrant and Blockchain Alliance Technologies Holding Company dated April 15, 2021 \(incorporated by reference to Exhibit 10.4 to our Registration Statement on Form F-3 \(File No. 333-258329\), as amended, initially filed with the SEC on July 30, 2021\)](#)
- 4.13 [Registration Rights Agreement dated July 12, 2021 \(incorporated by reference to Exhibit 10.5 to our Registration Statement on Form F-3 \(File No. 333-258329\), as amended, initially filed with the SEC on July 30, 2021\)](#)
- 4.14\* [Membership Interest Purchase Agreement entered into by and between the Registrant and Viking Data Centers LLC on September 22, 2021](#)
- 4.15\* [Membership Interest Purchase Agreement entered into by and between the Registrant and Viking Data Centers LLC on October 18, 2021](#)
- 8.1\* [List of the Registrant's Subsidiaries](#)

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11.1	<a href="#">Code of Business Conduct and Ethics of Registrant (incorporated by reference to Exhibit 99.1 to our Registration Statement on Form F-1 (File No. 333-191844), as amended, initially filed with the SEC on October 22, 2013)</a>
12.1*	<a href="#">Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2*	<a href="#">Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1*	<a href="#">Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2*	<a href="#">Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.1*	<a href="#">Consent of MaloneBailey, LLP</a>
16.1	<a href="#">Letter dated September 28, 2020 of Friedman LLP, as required by Item 16F of Form 20-F (incorporated by reference to Exhibit 16.1 to our Current Report on Form 6-K filed with the SEC on September 28, 2020)</a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline Taxonomy Extension Scheme Document
101.CAL*	Inline Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline Taxonomy Extension Label Linkbase Document
101.PRE*	Inline Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed with this annual report

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**BIT MINING LIMITED**

By: /s/ Xianfeng Yang

Name: Xianfeng Yang

Title: Chief Executive Officer

Date: April 7, 2022

**REPORT OF CONSOLIDATED FINANCIAL STATEMENTS**

**BIT MINING LIMITED (formerly, 500.COM LIMITED)**

**December 31, 2019, 2020 and 2021**

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BIT MINING LIMITED (formerly, 500.COM LIMITED)

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
BIT Mining Limited

### *Opinions on the Financial Statements*

We have audited the accompanying consolidated balance sheets of BIT Mining Limited and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive loss, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated April 7, 2022 expressed an adverse opinion on the Company’s internal control over financial reporting.

### *Basis for Opinion*

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matters*

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### *Evaluation of the Existence and Control of Cryptocurrencies Held*

As discussed in Note 2 to the consolidated financial statements, the Company accounts for its cryptocurrencies as indefinite-lived intangible assets, which have been included in current assets on the consolidated balance sheets. The cryptocurrencies are recorded at cost, net of any impairment losses incurred since acquisition. The Company’s cryptocurrencies as of December 31, 2021 amounted to approximately \$55.1 million.



We identified the evaluation of the existence and control of the cryptocurrencies held as a critical audit matter due to the subjective auditor judgment involved in determining the nature and extent of audit evidence required to address the risks of material misstatement related to the existence and rights and obligations of the cryptocurrencies as the cryptocurrency holdings are stored using the custodial service provided by third parties. Control over cryptocurrencies is provided through private cryptographic keys stored using third-party custodial services.

The primary procedures we performed to address this critical audit matter included the following:

- Tested the design and operating effectiveness of certain internal controls over the Company's cryptocurrency assets process, including a reconciliation control over the comparison of the Company's records of cryptocurrencies held to the custodial records;
- Independently and directly confirmed the balance of the Company's cryptocurrencies in the custody of third parties, and compared the balance confirmed to the Company's record of cryptocurrency holdings;
- Independently obtained evidence from public blockchains to test the existence of cryptocurrency transactions and balances and evaluated the relevance and reliability of audit evidence obtained from public blockchains;
- Reviewed and evaluated the custodian contracts, and observed the Company accessing its wallets under custody to conduct transactions and verified the transactions on public blockchains independently; and
- Evaluated the sufficiency and appropriateness of audit evidence obtained by assessing the results of procedures performed over the cryptocurrencies.

*Evaluation of Accounting for and Disclosure of Cryptocurrency Mining Revenue and Mining Pool Revenue Recognized*

As discussed in Note 2 to the consolidated financial statements, the Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers. For cryptocurrency mining revenue, the Company provides computing power services to the mining pools and in exchange for providing such computing power, the Company is entitled to a fractional share of the cryptocurrency award the pool operator receives for successfully adding a block to the blockchain. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm. During the year ended December 31, 2021, the Company recognized net cryptocurrency mining revenue of approximately \$39.4 million. For the mining pool revenue, the Company operates a mining pool and recognizes revenue from mining pool service on a gross basis (i.e. recognizing the total mining rewards generated by the collective mining activities of the overall mining pool operated by the Company, while showing participants' share of rewards as cost of sales). During the year ended December 31, 2021, the Company recognized cryptocurrency mining pool revenue of approximately \$1,275.1 million. The Company's management has exercised significant judgments in their determination of how existing accounting guidance should be applied to the accounting for and disclosure of cryptocurrency mining revenue and mining pool revenue recognized.

We identified the accounting for and disclosure of cryptocurrency mining revenue and mining pool revenue recognized as a critical audit matter due to the nature and extent of audit effort required to address the matter, which includes significant involvement of more experienced engagement team members. Subjective auditor judgment was required in determining the nature and extent of audit procedures to test the occurrence of the revenues recognized by the Company.

The primary procedures we performed to address this critical audit matter included the following:

- Evaluated the design and operating effectiveness of controls over the Company's IT environment and key systems that are relevant to the cryptocurrency mining revenue and mining pool revenue with the assistance of our IT professionals;
- Performed site visits of the facilities where the Company's mining machines were located, which included an observation of the physical and environmental controls and mining machines observation procedures;
- Evaluated management's rationale for the application of ASC 606 to account for its cryptocurrency mining revenue, which included evaluating the contract between the Company and the mining pool operator;
- Evaluated management's rationale for the application of ASC 606 to account for its mining pool revenue, including the presentation of mining pool revenues on a gross basis;
- Evaluated and tested management's rationale and supporting documentation associated with the valuation of cryptocurrency awards earned;

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- Compared the Company's wallet records of cryptocurrency mining revenue and mining pool revenue received to publicly available blockchain records and evaluated the relevance and reliability of audit evidence obtained from public blockchains; and
- Evaluated management's disclosures of its cryptocurrency mining revenue and mining pool revenue in the financial statement footnotes.

*Evaluation of the Acquisition-date Fair Values of Intangible Asset Acquired and Contingent Consideration Recognized in Business Combination*

As discussed in Note 5 to the consolidated financial statements, on April 15, 2021, the Company completed the acquisition of Alliance International Technologies Limited (formerly known as "Blockchain Alliance Technologies Limited") and recognized \$58.6 million of intangible asset, which was measured at fair value upon acquisition primarily using the valuation technique under the income approach with the assistance of a specialist engaged by the Company. Management applied judgments in estimating the fair value of intangible asset acquired, which involved the use of significant estimates and assumptions with respect to the amount and timing of expected future cash flows and discount rate. The acquisition agreement also included a contingent consideration provision, which was considered part of the acquisition consideration. The acquisition-date fair value for the contingent consideration was approximately \$15.2 million.

We identified the evaluation of the acquisition-date fair value of intangible assets acquired and contingent consideration recognized in business combination as a critical audit matter. A high degree of subjective auditor judgment, including the involvement of valuation professionals with specialized skills and knowledge, was required in performing procedures and evaluating audit evidence relating to the valuation techniques and significant assumptions used by management in determining the fair values of the intangible asset acquired and the contingent consideration recognized. The key inputs and assumptions included forecasted revenue and revenue growth rates, weighted average cost of capital, forecasted operating cash flows, cryptocurrency price and scenario probability.

The primary procedures we performed to address this critical audit matter included the following:

- Evaluated the design and operating effectiveness of internal controls over the acquisition accounting in connection with the business combination, including controls over management's identification of the intangible asset and the development of the significant assumptions related to the valuation of the intangible asset and the contingent consideration;
- Read the executed purchase agreements and evaluated the completeness, accuracy and relevance of the underlying data and the reasonableness of significant assumptions used in management's cash flow projections adopted in the income approach;
- With the assistance of our valuation specialist, evaluated the appropriateness of the valuation techniques and evaluated the reasonableness of significant inputs and assumptions used, including the cryptocurrency price and the weighted average cost of capital;
- With the assistance of our valuation specialist, performed sensitivity analyses to assess the impact of changes to the forecasted revenue growth rates, weighted average cost of capital and cryptocurrency price;
- Evaluated the adequacy of the Company's disclosures related to the business combination.

*/s/ MaloneBailey, LLP*

www.malonebailey.com

We have served as the Company's auditor since 2020

Houston, Texas

April 7, 2022

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
BIT Mining Limited

### ***Opinions on Internal Control over Financial Reporting***

We have audited the internal control over financial reporting of BIT Mining Limited and its subsidiaries (the “Company”) as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, because of the effect of the material weakness described below on the achievement of the objectives of the control criteria, the Company did not maintain effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We do not express an opinion or any other form of assurance on management’s statements referring to any corrective actions taken by the Company after the date of management’s assessment.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive loss, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2021, and our report dated April 7, 2022 expressed an unqualified opinion on those financial statements.

As described in Management’s Annual Report on Internal Control over Financial Reporting, management excluded from its assessment of the internal control over financial reporting at Loto Interactive Limited and Alliance International Technologies Limited (collectively, the “Excluded Acquisitions”) acquired during the year ended December 31, 2021, which associated with total assets of \$144 million (of which \$81.0 million represents goodwill and intangibles included within the scope of the assessment), total revenues of \$1,287.2 million and total loss before income taxes of \$55.4 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2021. Accordingly, our audit did not include the internal control over financial reporting of the Excluded Acquisitions.

### **Basis for Opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management’s assessment: the Company did not adequately maintain and implement controls over its process over the accounting and valuation of certain aspects of business combinations and asset acquisition involving significant estimates. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2021 consolidated financial statements, and this report does not affect our report on those financial statements.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*/s/ MaloneBailey, LLP*

www.malonebailey.com

We have served as the Company's auditor since 2020.

Houston, Texas

April 7, 2022

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BIT MINING LIMITED (formerly, 500.COM LIMITED)  
CONSOLIDATED BALANCE SHEETS  
(Amounts in thousands U.S. dollars (“US\$”), except for number of shares)

	Notes	As of December 31, 2020 (recast) US\$	As of December 31, 2021 US\$
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		47,307	17,670
Restricted cash		587	134
Accounts receivable		—	737
Prepayments and other receivables	8	1,562	21,525
Cryptocurrency assets	7	—	55,077
Current assets for discontinued operations	4	2,016	—
<b>Total current assets</b>		<u>51,472</u>	<u>95,143</u>
<b>Non-current assets:</b>			
Property and equipment, net	9	997	70,199
Intangible assets, net	10	240	71,931
Deposits		162	99
Long-term investments	6	14,056	10,050
Right-of-use assets	11	1,429	6,166
Prepayments to related party - non-current	19	—	11,504
Other non-current assets		87	4,455
Goodwill	5	—	26,569
Non-current assets for discontinued operations	4	3,660	—
<b>Total non-current assets</b>		<u>20,631</u>	<u>200,973</u>
<b>TOTAL ASSETS</b>		<u>72,103</u>	<u>296,116</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable	12	—	54,438
Amounts due to related parties	19	—	8,021
Accrued payroll and welfare payable		171	489
Accrued expenses and other current liabilities	14	7,498	18,738
Operating lease liabilities – current	11	569	2,213
Income tax payable		84	498
Current liabilities for discontinued operations	4	2,960	—
<b>Total current liabilities</b>		<u>11,282</u>	<u>84,397</u>

The accompanying notes are an integral part of the consolidated financial statements.

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BIT MINING LIMITED (formerly, 500.COM LIMITED)  
CONSOLIDATED BALANCE SHEETS (continued)  
(Amounts in thousands of U.S. dollars (“US\$”), except for number of shares)

	Notes	As of December 31, 2020 (recast) US\$	As of December 31, 2021 US\$
<b>Non-current liabilities:</b>			
Operating lease liabilities - non-current	11	890	4,569
Non-current liabilities for discontinued operations	4	81	—
<b>Total non-current liabilities</b>		<u>971</u>	<u>4,569</u>
<b>TOTAL LIABILITIES</b>		<u>12,253</u>	<u>88,966</u>
<b>Commitments and contingencies</b>	20		
<b>Shareholders' equity:</b>			
Class A ordinary shares, par value US\$0.00005 per share; 700,000,000 and 1,599,935,000 shares authorized as of December 31, 2020 and 2021, respectively; 430,127,692 and 710,078,070 shares issued and outstanding as of December 31, 2020 and 2021, respectively	22	22	36
Class A preference shares, par value US\$0.00005 per share; 0 and 65,000 shares authorized as of December 31, 2020 and 2021, respectively; 0 and 65,000 shares issued and outstanding as of December 31, 2020 and 2021, respectively	22	—	—
Class B ordinary shares, par value US\$0.00005 per share; 300,000,000 and 400,000,000 shares authorized as of December 31, 2020 and 2021, respectively; 99 shares issued and outstanding as of December 31, 2020 and 2021	22	—	—
Additional paid-in capital	22	412,364	590,567
Treasury shares		(21,604)	(21,604)
Accumulated deficit and statutory reserve	15	(324,351)	(384,867)
Accumulated other comprehensive loss		(4,598)	(2,355)
<b>Total BIT Mining Limited shareholders' equity</b>		<u>61,833</u>	<u>181,777</u>
<b>Non-controlling interests</b>		<u>(1,983)</u>	<u>25,373</u>
<b>Total shareholders' equity</b>		<u>59,850</u>	<u>207,150</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>72,103</u>	<u>296,116</u>

The accompanying notes are an integral part of the consolidated financial statements

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BIT MINING LIMITED (formerly, 500.COM LIMITED)  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
(Amounts in thousands U.S. dollars (“US\$”), except for number of shares and per share (or ADS) data)

	Notes	For the years ended December 31.		
		2019 (recast)	2020 (recast)	2021
		US\$	US\$	US\$
<b>Revenues</b>		<u>5,161</u>	<u>2,167</u>	<u>1,328,876</u>
<b>Operating costs and expenses:</b>				
Cost of revenue		(7,917)	(2,016)	(1,323,415)
Sales and marketing		(3,032)	(1,148)	(951)
General and administrative		(18,690)	(14,330)	(25,463)
Service development		(2,858)	(1,941)	(3,155)
<b>Total operating expenses</b>		<u>(32,497)</u>	<u>(19,435)</u>	<u>(1,352,984)</u>
Other operating income		39	534	300
Government grant		34	21	—
Other operating expenses		(582)	(273)	(14,686)
Net gain on disposal of cryptocurrencies		—	—	6,717
Impairment of cryptocurrencies		—	—	(31,757)
Changes in fair value of derivative instrument		—	—	3,696
Changes in fair value of contingent considerations		—	—	13,936
Impairment of property and equipment		—	—	(22,392)
Impairment of intangible assets		(26,909)	—	(56)
Impairment of goodwill		(19,200)	—	—
<b>Operating loss from continuing operations</b>		<u>(73,954)</u>	<u>(16,986)</u>	<u>(68,350)</u>
Other income, net		—	42	594
Interest income		1,308	242	56
Interest expense		—	—	(775)
Loss from equity method investments	6	(1,915)	(1,865)	(1,184)
Gain on previously held equity interest		—	—	5,500
Impairment of long-term investments	6	(1,372)	(4,787)	—
Gain from disposal of subsidiaries		—	—	234
<b>Loss before income taxes from continuing operations</b>		<u>(75,933)</u>	<u>(23,354)</u>	<u>(63,925)</u>
Income taxes benefits	16	1,083	30	359
<b>Net loss from continuing operations</b>		<u>(74,850)</u>	<u>(23,324)</u>	<u>(63,566)</u>
Loss from discontinued operations, net of income taxes	4	(20,009)	(8,779)	(2,224)
Loss on disposal of discontinued operations, net of income taxes	4	—	—	(6,697)
<b>Net loss from discontinued operations, net of income taxes</b>		<u>(20,009)</u>	<u>(8,779)</u>	<u>(8,921)</u>
<b>Net loss</b>		<u>(94,859)</u>	<u>(32,103)</u>	<u>(72,487)</u>
Net loss from continuing operations attributable to non-controlling interest		—	—	(11,792)
Net (loss) income from discontinued operations attributable to non-controlling interest		(438)	309	(179)
Less: Net (loss) income attributable to the non-controlling interest		(438)	309	(11,971)
<b>Net loss attributable to BIT Mining Limited</b>		<u>(94,421)</u>	<u>(32,412)</u>	<u>(60,516)</u>
Other comprehensive (loss) income:				
Share of other comprehensive (loss) income of an equity method investee		(578)	(177)	631
Reclassification into loss from equity method investments		—	—	131
Foreign currency translation (loss) gain		(384)	2,317	2,115
<b>Other comprehensive (loss) income, net of tax</b>		<u>(962)</u>	<u>2,140</u>	<u>2,877</u>
<b>Comprehensive loss</b>		<u>(95,821)</u>	<u>(29,963)</u>	<u>(69,610)</u>
Less: Comprehensive (loss) income attributable to non-controlling interest		(630)	309	(11,337)
<b>Comprehensive loss attributable to BIT Mining Limited</b>		<u>(95,191)</u>	<u>(30,272)</u>	<u>(58,273)</u>
<b>Losses per share for Class A and Class B ordinary shares outstanding-Basic and Diluted:</b>	21			
Net loss from continuing operations		<u>(0.17)</u>	<u>(0.05)</u>	<u>(0.08)</u>
Net loss from discontinued operations		<u>(0.05)</u>	<u>(0.02)</u>	<u>(0.01)</u>
Net loss		<u>(0.22)</u>	<u>(0.07)</u>	<u>(0.09)</u>
<b>Losses per American Depositary Share (“ADS”) (1 ADS represents 10 Class A ordinary shares)-Basic and Diluted</b>	21			
Net loss from continuing operations		<u>(1.75)</u>	<u>(0.54)</u>	<u>(0.83)</u>
Net loss from discontinued operations		<u>(0.46)</u>	<u>(0.21)</u>	<u>(0.14)</u>
Net loss		<u>(2.21)</u>	<u>(0.75)</u>	<u>(0.97)</u>
<b>Weighted average number of Class A and Class B ordinary shares outstanding:</b>	21			
Basic		<u>428,586,305</u>	<u>430,011,263</u>	<u>622,337,974</u>
Diluted		<u>428,586,305</u>	<u>430,011,263</u>	<u>622,337,974</u>

The accompanying notes are an integral part of the consolidated financial statements.

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BIT MINING LIMITED (formerly, 500.COM LIMITED)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Amounts in thousands U.S. dollars (“US\$”))

	For the years ended December 31,		
	2019 (recast)	2020 (recast)	2021
	US\$	US\$	US\$
<b>Cash flow from operating activities</b>			
Net loss	(94,859)	(32,103)	(72,487)
Adjustments to reconcile net loss to net cash used in operating activities:			
Write off of remaining ROU asset and lease liability pursuant to a lease termination	—	(1,799)	—
Amortization of right-of-use assets	2,538	1,107	1,199
Depreciation of property and equipment	4,678	6,328	15,062
Amortization of intangible assets	4,224	318	5,293
Deferred tax benefit	(1,083)	(531)	(359)
Share-based compensation	11,498	8,047	6,446
Losses on disposal of property and equipment	—	211	9,804
Impairment of intangible assets	26,909	—	56
Impairment of goodwill	19,200	—	—
Impairment of long-term investments	3,241	4,787	—
Impairment of cryptocurrency assets	—	—	31,757
Impairment of property and equipment	—	—	22,392
Changes in fair value of derivative instrument	—	—	(3,696)
Changes in fair value of contingent considerations	—	—	(13,936)
Provision for bad debt	2,909	78	1,113
Loss from equity method investments	1,542	1,566	1,184
Net gain on disposal of cryptocurrencies	—	—	(6,717)
Loss on disposal of subsidiaries and VIEs	—	—	6,463
Gain on previously held equity interest	—	—	(5,500)
Changes in operating assets and liabilities:			
Accounts receivable	—	—	1,678
Prepayments and other receivables	2,258	870	(2,309)
Due from a related party	—	—	56
Cryptocurrency assets	—	—	(20,075)
Deposits	(34)	599	—
Other non-current assets	241	34	—
Operating lease liabilities	(1,909)	(2,206)	(629)
Accounts payable	—	—	(7,703)
Accrued expenses and other current liabilities	(3,078)	1,966	(2,775)
Accrued payroll and welfare payable	(417)	1,000	(1,465)
Long-term payables	(181)	(79)	—
Amounts due to related parties	—	—	1,325
Income tax payable	64	—	(448)
Net cash used in operating activities	<u>(22,259)</u>	<u>(9,807)</u>	<u>(34,271)</u>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	(540)	(225)	(56,599)
Disposal of subsidiaries and VIEs, net of cash received	—	—	(1,394)
Acquisition of redeemable non-controlling interest	—	(2,120)	—
Acquisition of long-term investments	—	—	(1,000)
Cash paid for short-term investments	—	(12,261)	—
Cash paid for time deposits	(23,087)	—	—
Cash received from return of time deposits	19,717	3,421	—
Cash received from return of short-term investments	14,364	12,261	—
Cash received from return of long-term investments	932	—	301
Cash received from disposal of cryptocurrency assets	—	—	10,841
Proceeds from disposal of property and equipment	22	24	5,701
Proceeds from disposal of long-term investments	—	371	—
Cash paid for business combination, net of cash received	—	—	(21,913)
Cash paid for additional interest acquired for Loto Interactive	—	—	(3,378)
Loans provided to a related party	(1,436)	—	—
Loans provided to third parties	(1,131)	—	(7,965)
Repayment of loans provided to a related party	—	1,533	—
Repayment of loans provided to third parties	758	326	—
Net cash provided by (used in) investing activities	<u>9,599</u>	<u>3,330</u>	<u>(75,406)</u>

The accompanying notes are an integral part of the consolidated financial statements.



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BIT MINING LIMITED (formerly, 500.COM LIMITED)  
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)  
(Amounts in thousands U.S. dollars (“US\$”))

	For the years ended December 31,		
	2019 (recast) US\$	2020 (recast) US\$	2021 US\$
<b>Cash flows from financing activities</b>			
Proceeds from the exercise of share-based awards	2,457	4	2,521
Proceeds from short-term borrowings	—	—	46,739
Repayment of short-term borrowings	—	—	(27,732)
Proceeds from issuance of ordinary shares for private placement	—	—	56,139
Net cash provided by financing activities	2,457	4	77,667
Effect of exchange rate changes on cash, cash equivalents and restricted cash	63	1,824	1,920
Net decrease in cash, cash equivalents and restricted cash	(10,140)	(4,649)	(30,090)
Cash, cash equivalents and restricted cash at beginning of the year	62,683	52,543	47,894
Cash, cash equivalents and restricted cash at end of the year	52,543	47,894	17,804
<b>Supplemental disclosures of cash flow information:</b>			
Income tax paid	—	—	—
Interest received	1,846	1,435	189
Interest paid	—	—	(336)
<b>Supplemental disclosures of non-cash investing and financing activities:</b>			
Re-measurement of the lease liabilities and right-of-use assets due to lease modification	—	808	—
Payment of expense and non-current assets in the form of cryptocurrencies	—	—	2,295
Proceeds from issuance of ordinary shares for private placement in the form of cryptocurrencies	—	—	19,289
Collateral rendered to lender in the form of cryptocurrencies	—	—	18,949
Repayment of third-party borrowings in the form of cryptocurrencies	—	—	6,523
Repayment of deposit in the form of cryptocurrencies	—	—	6,586
Issuance of ordinary shares in connection with business combination	—	—	94,828
Deposits received from customers of mining data center in the form of cryptocurrencies	—	—	3,965
Cryptocurrencies to be distributed for promotion activities on behalf of a third party	—	—	3,179
Cryptocurrencies acquired in connection with business combination	—	—	73,184
Cryptocurrencies borrowed from a third party	—	—	10,222
Cryptocurrencies paid in connection with asset acquisition	—	—	1,731

The accompanying notes are an integral part of the consolidated financial statements.

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BIT MINING LIMITED (formerly, 500.COM LIMITED)  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(Amounts in thousands of U.S. dollars ("US\$") except for number of shares)

	BIT Mining Limited shareholders										
	Number of Class A ordinary shares	Number of Class A preference shares	Number of Class B ordinary shares	Ordinary shares	Preference shares	Additional paid-in capital	Treasury shares	Accumulated other comprehensive loss	Accumulated deficit and statutory reserve	Non-controlling interests	Total shareholders equity
<b>Balance as of December 31, 2018</b>	<b><u>350,804,532</u></b>	<b><u>—</u></b>	<b><u>74,400,299</u></b>	<b><u>22</u></b>	<b><u>—</u></b>	<b><u>387,512</u></b>	<b><u>(21,604)</u></b>	<b><u>(5,968)</u></b>	<b><u>(197,518)</u></b>	<b><u>(1,662)</u></b>	<b><u>160,782</u></b>
Net loss for the year	—	—	—	—	—	—	—	—	(94,421)	(438)	(94,859)
Adjustment to redemption value of redeemable non-controlling interests	—	—	—	—	—	2,088	—	—	—	—	2,088
Foreign currency translation loss	—	—	—	—	—	—	—	(192)	—	(192)	(384)
Share of other comprehensive loss of an equity method investee	—	—	—	—	—	—	—	(578)	—	—	(578)
Conversion of Class B to Class A ordinary shares	64,400,200	—	(64,400,200)	—	—	—	—	—	—	—	—
Issuance of ordinary shares from exercise of share-based awards	4,797,060	—	—	—	—	3,194	—	—	—	—	3,194
Share-based compensation	—	—	—	—	—	11,498	—	—	—	—	11,498
<b>Balance as of December 31, 2019</b>	<b><u>420,001,792</u></b>	<b><u>—</u></b>	<b><u>10,000,099</u></b>	<b><u>22</u></b>	<b><u>—</u></b>	<b><u>404,292</u></b>	<b><u>(21,604)</u></b>	<b><u>(6,738)</u></b>	<b><u>(291,939)</u></b>	<b><u>(2,292)</u></b>	<b><u>81,741</u></b>
Net (loss) income for the year	—	—	—	—	—	—	—	—	(32,412)	309	(32,103)
Foreign currency translation gain	—	—	—	—	—	—	—	2,317	—	—	2,317
Share of other comprehensive loss of an equity method investee	—	—	—	—	—	—	—	(177)	—	—	(177)
Conversion of Class B to Class A ordinary shares	10,000,000	—	(10,000,000)	—	—	—	—	—	—	—	—
Issuance of ordinary shares from exercise of share-based awards	125,900	—	—	—	—	25	—	—	—	—	25
Share-based compensation	—	—	—	—	—	8,047	—	—	—	—	8,047
<b>Balance as of December 31, 2020</b>	<b><u>430,127,692</u></b>	<b><u>—</u></b>	<b><u>99</u></b>	<b><u>22</u></b>	<b><u>—</u></b>	<b><u>412,364</u></b>	<b><u>(21,604)</u></b>	<b><u>(4,598)</u></b>	<b><u>(324,351)</u></b>	<b><u>(1,983)</u></b>	<b><u>59,850</u></b>

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BIT MINING LIMITED (formerly, 500.COM LIMITED)  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)  
(Amounts in thousands of U.S. dollars ("US\$") except for number of shares)

	BIT Mining Limited shareholders										
	Number of Class A ordinary shares	Number of Class A preference shares	Number of Class B ordinary shares	Ordinary shares	Preference shares	Additional paid-in capital	Treasury shares	Accumulated other comprehensive loss	Accumulated deficit and statutory reserve	Non-controlling interests	Total shareholders' equity
<b>Balance as of December 31, 2020</b>	<b>430,127,692</b>	<b>—</b>	<b>99</b>	<b>22</b>	<b>—</b>	<b>412,364</b>	<b>(21,604)</b>	<b>(4,598)</b>	<b>(324,351)</b>	<b>(1,983)</b>	<b>59,850</b>
Disposal of VIE	—	—	—	—	—	—	—	—	—	2,162	2,162
Acquisition of shares of consolidated subsidiaries	—	—	—	—	—	(981)	—	—	—	36,531	35,550
Net loss for the year	—	—	—	—	—	—	—	—	(60,516)	(11,971)	(72,487)
Foreign currency translation gain	—	—	—	—	—	—	—	1,481	—	634	2,115
Share of other comprehensive income of an equity method investee	—	—	—	—	—	—	—	631	—	—	631
Reclassification into loss from equity method investments	—	—	—	—	—	—	—	131	—	—	131
Issuance of ordinary shares for private placement	185,572,963	65,000	—	9	—	75,419	—	—	—	—	75,428
Issuance of ordinary shares for business combinations	56,236,295	—	—	3	—	94,825	—	—	—	—	94,828
Issuance of ordinary shares from exercise of share-based awards	38,141,120	—	—	2	—	2,494	—	—	—	—	2,496
Share-based compensation	—	—	—	—	—	6,446	—	—	—	—	6,446
<b>Balance as of December 31, 2021</b>	<b>710,078,070</b>	<b>65,000</b>	<b>99</b>	<b>36</b>	<b>—</b>	<b>590,567</b>	<b>(21,604)</b>	<b>(2,355)</b>	<b>(384,867)</b>	<b>25,373</b>	<b>207,150</b>

The accompanying notes are an integral part of the consolidated financial statements.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

1. ORGANIZATION

BIT Mining Limited (the “Company”) was incorporated under the laws of the Cayman Islands on April 20, 2007 under the original name of “Fine Success Limited”, which was changed to “500wan.com” on May 9, 2011, changed to “500.com Limited” on October 9, 2013. The Company changed to the new name of “BIT Mining Limited” and the new ticker symbol “BTCM” effective April 20, 2021.

The Company announced the entry into the cryptocurrency industry in December 2020. As of December 31, 2021, the Company has completed the transformation of its business and become an enterprise that primarily engages in cryptocurrency mining, data center operation and mining pool services.

The Company continually monitors the reportable segments for changes in facts and circumstances to determine whether changes in the identification or aggregation of operating segments are necessary. Due to the transformation into cryptocurrency industry, in the first quarter of 2021, the Company updated the reportable segments. Consequently, the segment disclosures in this filing have been recast to reflect these changes and therefore differ from prior filings. See Note 24 Segment Information for additional details.

On March 31, 2021, the Company completed the subscription for shares of Loto Interactive (as defined below), which primarily engages in the data center operation business. The Company’s ownership of Loto Interactive thereby increased to 54.2% and Loto Interactive became a subsidiary of the Company. As a result, the Company began to consolidate Loto Interactive on March 31, 2021. On June 18, 2021, the Company completed the unconditional mandatory cash offers pursuant to certain rules of the Hong Kong Code on Takeovers and Mergers and its ownership of Loto Interactive thereby increased to 59.79%.

On April 15, 2021, the Company completed the acquisition of the entire mining pool business of Blockchain Technologies Holding Company operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com.

As of December 31, 2021, the Company has subsidiaries incorporated in countries and jurisdictions including British Virgin Islands, Cayman Islands, Hong Kong, the United States of America (“USA”), Kazakhstan, Canada, the People's Republic of China (“PRC”), Malta, Cyprus and Curacao.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

1. ORGANIZATION (continued)

As of December 31, 2021, the Company’s major subsidiaries are listed below:

Entity	Date of establishment	Place of establishment	Percentage of ownership by the Company	Principal activities
<b>Subsidiaries</b>				
Fine Brand Limited (“BVT”)	February 9, 2011	British Virgin Islands	100 %	Investment Holding
BT Mining Limited (BT Mining)	April 19, 2021	Cayman Islands	100 %	Investment Holding
500wan HK Limited (“500wan HK”)	March 8, 2011	Hong Kong	100 %	Investment Holding
E-Sun Sky Computer (Shenzhen) Co., Ltd. (“E-Sun Sky Computer”)	June 18, 2007	PRC	100 %	Technology Service
Star Light Inc. (“Star Light”)	January 29, 2021	Cayman Islands	100 %	Investment Holding
Skill Esport Limited (“Skill Esport”)	May 23, 2018	Hong Kong	100 %	Cryptocurrency Mining
Summit Bend US Corporation (“Summit Bend”)	September 22, 2021	USA	100 %	Investment Holding
Star Light Ohio I Corporation (“Ohio I”)	September 23, 2021	USA	100 %	Cryptocurrency Mining
Star Light Ohio II Corporation (“Ohio II”)	September 23, 2021	USA	100 %	Investment Holding
Asgard Data Centers LLC (“Asgard”)	September 16, 2021	USA	55 %	Data Center Service
Alliance International Technologies Limited (“Alliance International Technologies”)	March 11, 2020	British Virgin Islands	100 %	Investment Holding
Hong Kong Sunstar Technology Co., Limited (“Sunstar Technology”)	April 9, 2020	Hong Kong	100 %	Mining pool service
Beijing Guixinyanghang Technology Limited (“Guixinyanghang”)	June 12, 2020	PRC	100 %	Technology Service
E-Sun Kazakhstan Limited	August 23, 2021	Kazakhstan	100 %	Investment Holding
1324492 B.C.Ltd	September 16, 2021	Canada	100 %	Investment Holding
The Multi Group Ltd (“The Multi Group” or “TMG”)	June 26, 2015	Malta	100 %	Investment Holding
Multi Warehouse Ltd*	December 3, 2014	Malta	100 %	Online Gaming
Multi Brand Gaming Ltd*	October 3, 2014	Malta	100 %	Online Gaming
Multilotto UK Ltd*	September 1, 2016	Malta	100 %	Online Gaming
Lotto Warehouse Ltd*	September 1, 2016	Malta	100 %	Online Gaming
Wasp Media Ltd*	August 12, 2016	Malta	100 %	Online Gaming
Round Spot Services Ltd*	May 6, 2015	Cyprus	100 %	Online Gaming
FMulti Pay N.V.*	August 25, 2011	Curacao	100 %	Online Gaming
Oddson Europe Ltd*	January 10, 2018	Malta	100 %	Online Gaming
Loto Interactive Limited (“Loto Interactive”)	November 26, 1998	Cayman Islands	59.79 %	Investment Holding
Brighten Express Limited**	April 1, 2016	Hong Kong	59.79 %	Investment Holding
Rising Move International Limited**	July 25, 2007	BVI	59.79 %	Investment Holding
Interactive Lab Limited**	July 8, 2015	BVI	59.79 %	Technology Service
Precious Success Holdings Limited**	July 10, 2007	BVI	30.49 %	Investment Holding
PAL Development Limited**	August 17, 2006	Hong Kong	30.49 %	Investment Holding
Global Score Asia Limited**	April 18, 2005	BVI	59.79 %	Investment Holding
Trade Express Services Inc. **	November 3, 2003	BVI	59.79 %	Investment Holding
Rise Accord Holdings Limited**	April 30, 2013	BVI	59.79 %	Investment Holding
China Excellent Net Technology Investment Limited**	July 2, 2009	Hong Kong	56.80 %	Investment Holding
Hong Kong Interactive Lab Limited**	March 23, 2018	Hong Kong	59.79 %	Technology Service
Virtual Asset Ratings Limited**	July 26, 2018	BVI	59.79 %	Technology Service
Loto Interactive Information Technology (Shenzhen) Limited (“Loto Interactive Information”)**	December 14, 2017	PRC	59.79 %	Investment Holding
Shenzhen Lewanwuxian Information Technology Co., Ltd. (“Lewanwuxian”) **	February 5, 2018	PRC	30.49 %	Online Gaming
Interactive Medical Lab Limited**	March 21, 2019	BVI	59.79 %	Investment Holding
Interactive Medical Lab Corporation**	April 25, 2019	USA	59.79 %	Investment Holding
Might Winner Limited**	August 9, 2019	Hong Kong	59.79 %	Investment Holding
H.K CB. Cute Technology Co., Limited**	February 24, 2012	Hong Kong	59.79 %	Investment Holding
Shenzhen Quanjing Financial Leasing Co., Ltd. (“Shenzhen Quanjing”) **	May 12, 2016	PRC	59.79 %	Investment Holding
Ganzi Changhe Hydropower Consumption Service Co., Ltd. (“Ganzi Changhe”) **	April 25, 2019	PRC	59.79 %	Data Analysis and Storage Service
Sichuan Lecaiyuntian Internet Technology Co., Ltd. (“Lecaiyuntian”) **	February 21, 2019	PRC	59.79 %	Data Analysis and Storage Service
Chengdu Keying Interactive Information Technology Limited (“Chengdu Keying”) **	January 10, 2019	PRC	59.79 %	Data Analysis and Storage Service
Chengdu Yilaike Technology Co., Ltd. (“Chengdu Yilaike”) **	December 1, 2017	PRC	59.79 %	Data Analysis and Storage Service
GreenTech Ltd.**	October 1, 2021	Kazakhstan	30.49 %	Data Analysis and Storage Service

\* A subsidiary of the Multi Group

\*\* A subsidiary of Loto Interactive

The Company and its subsidiaries are hereinafter collectively referred to as the “Group”.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

1. ORGANIZATION (continued)

Information on Variable Interest Entities (“VIEs”)

The Company has previously conducted the lottery business in China through a series of contractual arrangements with Shenzhen Youlangang Science and Technology Co., Ltd., Shenzhen E-Sun Network Co., Ltd., and Shenzhen Guangtiandi Science and Technology Co., Ltd. (collectively, the “lottery business related VIEs”), and their respective shareholders. Since March 31, 2021, the Company also consolidated the financial results of Zhejiang Keying Huancai Information Technology Co., Ltd. (“Zhejiang Keying”), a VIE primarily engaged in the provision of data analysis and storage services, through its contractual arrangement with Loto Interactive Information Technology (Shenzhen) Co., Ltd., which is indirectly controlled by the Company after the completion of the acquisition of the majority interest of Loto Interactive Limited on March 31, 2021.

On July 23, 2021, the Company announced the decision to dispose of the VIE structures in China, and on August 3, 2021 the Group has terminated all of the VIE structures with the lottery-related affiliated entities and Zhejiang Keying, and the Group has entered into agreement with Zhejiang Keying and Zhejiang Keying’s shareholders to transfer all of the equity interests of Zhejiang Keying’s subsidiaries to Loto Shenzhen. In February 2022, the Company has completed the transfer of the equity interests of Zhejiang Keying’s subsidiaries to Loto Shenzhen. From July 23, 2021, the Company no longer retained any financial interest over the lottery business related VIEs and accordingly deconsolidated the lottery business related VIEs’ financial statements from the Company’s consolidated financial statements. The disposal of lottery business related VIEs represented a strategic shift and has a major effect on the Company’s result of operations. Accordingly, assets, liabilities, and results of operations related to lottery business related VIEs have been reported as discontinued operations for all periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of presentation and use of estimates*

The accompanying consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”).

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions reflected in the Group’s consolidated financial statements include, but are not limited to, allowance for credit losses, useful lives of property and equipment and intangible assets, impairment of long-lived assets, long-term investments and goodwill, the valuation of cryptocurrencies, realization of deferred tax assets, uncertain income tax positions, share-based compensation, valuation of contingent consideration from business combination and purchase price allocation for business combinations and assets acquisition. Actual results could materially differ from those estimates.

*Principles of consolidation*

The consolidated financial statements of the Group include the financial statements of the Company, its subsidiaries and VIEs in which it has a controlling financial interest. The results of the subsidiaries and VIEs are consolidated from the date on which the Group obtained control and continue to be consolidated until the date that such control ceases. A controlling financial interest is typically determined when a company holds a majority of the voting equity interest in an entity. Furthermore, if the Company demonstrates that it has ability to control the VIEs through its rights to all the residual benefits of the VIEs and its obligation to fund losses of the VIEs then the entity is consolidated. All significant intercompany balances and transactions among the Company, its subsidiaries and VIEs have been eliminated on consolidation.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Reclassification*

Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net earnings and financial position.

*Foreign currency translation and change in reporting currency*

The functional currency of the Company, BVI, 500wan HK, Alliance Technologies, Sunstar Technology, Skill Esport, Summit Bend, Ohio I, Ohio II and Asgard is the US\$. The functional currency of the Multi Group and its subsidiaries is EUR. The functional currency of Loto Interactive with its subsidiaries is HKD. E-Sun Sky Computer with its former VIEs and Beijing Guixinyanghang determined their functional currencies to be RMB, which is their respective local currencies based on the criteria of ASC 830, “*Foreign Currency Matters*”. The Group uses the monthly average exchange rate for the year and the spot exchange rate at the balance sheet date to translate the operating results and financial position, respectively. Translation differences are recorded in accumulated other comprehensive loss as a component of shareholders’ equity.

Transactions denominated in foreign currencies are re-measured into the functional currency at the exchange rates prevailing on the transaction dates. Exchange gains and losses resulting from foreign currency transactions are included in the consolidated statements of comprehensive loss.

Starting from the third quarter of 2021, the Group changed its reporting currency from RMB to US\$, to reduce the impact of increased volatility of the US\$ to RMB exchange rate on the Group’s reported operating results. The aligning of the reporting currency with the underlying operations will better depict the Group’s results of operations for each period. The related financial statements prior to July 1, 2021 have been recasted to US\$ as if the financial statements originally had been presented in US\$ since the earliest periods presented. The change in reporting currency resulted in cumulative foreign currency translation adjustment to the Group’s comprehensive loss amounted to a loss of US\$192, a gain of US\$2,317 and a gain of US\$1,481 for the years ended December 31, 2019, 2020 and 2021, respectively.

*Business combinations, asset acquisitions and non-controlling interests*

The Group accounts for its business combinations using the purchase method of accounting in accordance with ASC 805 (“ASC 805”), “*Business Combinations*”. The purchase method of accounting requires that the consideration transferred to be allocated to the assets, including separately identifiable assets and liabilities the Group acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. Contingent consideration is recognized at its fair value on the acquisition date. A liability resulting from contingent consideration is remeasured to fair value as of each reporting date until the contingency is resolved, and subsequent changes in fair value are recognized in earnings. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total of cost of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over, (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

If investment involves the acquisition of an asset or group of assets that does not meet the definition of a business, the transaction is accounted for as an asset acquisition. An asset acquisition is recorded at cost, which includes capitalized transaction costs, and does not result in the recognition of goodwill. The cost of the acquisition is allocated to the assets acquired on the basis of relative fair values.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Business combinations and noncontrolling interests (continued)*

The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and non-controlling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity’s current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

In a business combination or asset acquisition, the Company may recognize identifiable intangibles that meet either or both the contractual legal criterion or the separability criterion. Identifiable intangible assets recognized in the Company’s acquisitions generally include brand name and strategic contract.

For the Company's majority-owned subsidiaries, non-controlling interests are recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Group. “Net loss” on the consolidated statements of comprehensive loss include the “net loss attributable to non-controlling interests”. The cumulative results of operations attributable to non-controlling interests are also recorded as non-controlling interests in the Company's consolidated balance sheets.

*Cash and cash equivalents*

Cash and cash equivalents represent cash on hand and time deposits, which have original maturities of three months or less when purchased and which are unrestricted as to withdrawal and use. In addition, highly liquid investments which have original maturities of three months or less when purchased are classified as cash equivalents.

*Restricted cash*

Restricted cash represents cash held by banks which were granted by the government and designated only for certain approved projects and deposits in merchant bank where withdrawals are currently restricted.

*Allowance for doubtful accounts*

Receivables are carried at original invoiced amount less an allowance for doubtful accounts when collection of the amount is no longer probable. Prior to January 1, 2020, in evaluating the collectability of receivable balances, the Group considers factors such as customer circumstances or age of the receivable. Receivables are written off after all collection efforts have ceased. Collateral is not typically required, nor is interest charged on receivables.

Starting from January 1, 2020, the Group adopted ASU No. 2016-13, “*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*” (“ASC Topic 326”), which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses rather than incurred losses. The Group used a modified retrospective approach and the adoption does not have an impact on the Group’s consolidated financial statements. The Group’s accounts receivable and other receivables are within the scope of ASC Topic 326. To estimate expected credit losses, the Group has identified the relevant risk characteristics of the receivables which include size and nature. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Group considers the past collection experience, current economic conditions and future economic conditions (external data and macroeconomic factors). This is assessed at each quarter based on the Group’s specific facts and circumstances. There have been no significant changes in the assumptions since adoption.



BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Cryptocurrency assets*

Cryptocurrency assets are included in current assets in the accompanying consolidated balance sheets. Cryptocurrency assets generated from the cryptocurrency mining business and the mining pool business are accounted for in connection with the Group’s revenue recognition policy disclosed below.

Cryptocurrencies held are accounted for as intangible assets with indefinite useful lives. An intangible asset with an indefinite useful life is not amortized but assessed for impairment quarterly, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the cryptocurrency at the time its fair value is being measured. In testing for impairment, the Group has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Group concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted. For the year ended December 31, 2021, US\$31,757 of impairment loss was recorded.

Cryptocurrencies generated from the cryptocurrency mining business and the mining pool business as well as the cryptocurrencies distributed to mining pool participants are included within operating activities in the accompanying consolidated statements of cash flows. The sales of cryptocurrencies are included within investing activities in the accompanying consolidated statements of cash flows and any realized gains or losses from such sales are included in gain or loss of disposal of cryptocurrencies in the consolidated statements of comprehensive loss. The Group accounts for its gains or losses in accordance with the first-in-first-out (FIFO) method of accounting.

*Property and equipment, net*

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

<u>Category</u>	<u>Estimated Useful Life</u>	<u>Estimated Residual</u>
Machinery and equipment	2-5 years	—
Electronics and office equipment	3-5 years	5 %
Motor vehicles	5-10 years	2-5 %
Leasehold improvements	Shorter of lease term or the estimated useful lives of the assets	—

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterment that extend the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive loss.

## BIT MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Intangible assets*

Intangible assets represent computer software, internet domain name, licensing agreement, and intangible assets arising from business combination. Computer software, internet domain name and licensing agreement purchased from third parties are initially recorded at cost and amortized on a straight-line basis over their estimated useful lives of the respective assets. The Group performs valuation of the intangible assets arising from business combination to determine the relative fair value to be assigned to each asset acquired. The acquired intangible assets are recognized and measured at fair value and are expensed or amortized using the straight-line approach over the estimated useful life of the assets. Estimated useful lives of the respective assets are set out as follows:

<u>Category</u>	<u>Estimated Useful Life</u>
Computer software	3-10 years
Internet domain name	10 years
Licensing agreement	Agreement term
Intangible assets arising from business combination and asset acquisition	
Licenses and brand name	10 years
Mobile applications and software	5 years
Internet domain name and brand name	10 years
Strategic contract	5 years

*Goodwill*

The Group assesses goodwill for impairment in accordance with ASC 350-20 (“ASC 350-20”), “Intangibles–Goodwill and Other: Goodwill”, which requires that goodwill to be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20.

Prior to the early adoption of ASU 2017-04, “Simplifying the Test for Goodwill Impairment”, on January 1, 2019, the Group has the option to first assess qualitative factors to determine whether it is necessary to perform the two-step test in accordance with ASC 350-20. If the Group believes, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described above is required. Otherwise, no further testing is required. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit based on either quoted market prices of the ordinary shares or estimated fair value using a combination of the income approach and the market approach. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, goodwill is not impaired and the Group is not required to perform further testing. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then the Group must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit’s goodwill. The fair value of the reporting unit is allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. If the carrying amount of the goodwill is greater than its implied fair value, the excess is recognized as an impairment loss.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Goodwill (continued)*

In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (“ASU 2017-04”), “Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” ASU 2017-04 eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value. The Group early adopted the ASU 2017-04 on January 1, 2019.

As triggered by TMG’s temporary suspension of its operations in Sweden since January 2020, the Group performed qualitative and quantitative assessment in accordance with ASU 2017-04 and recognized a full impairment loss of US\$19,200 for goodwill arising from acquisition of TMG during the year ended December 31, 2019. There was no such impairment during the years ended December 31, 2020 and 2021.

*Impairment of long-lived assets other than goodwill*

The Group evaluates its long-lived assets or asset group, including property and equipment, intangible assets and right-of-use assets, with finite lives for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of a group of long-lived assets may not be fully recoverable. When these events occur, the Group evaluates the impairment by comparing the carrying amount of the assets to future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group recognizes an impairment loss based on the excess of the carrying amount of the asset group over its fair value.

The Group recorded an impairment loss of US\$26,909 for intangible assets arising from acquisition of the Multi Group for the year ended December 31, 2019, and an impairment loss of US\$56 for intangible assets of Loto Interactive Limited for the year ended December 31, 2021. There was no such impairment for the year ended December 31, 2020.

The Group recorded an impairment loss of US\$22,392 for property and equipment and an impairment loss of US\$387 for right-of-use assets, due to the closure and demolition of data centers in Sichuan, China, of Loto Interactive Limited for the year ended December 31, 2021.

*Long-term investments*

The Group’s long-term investments consist of equity investments without readily determinable fair value and equity method investments.

For those investments over which the Group does not have significant influence and without readily determinable fair value, the Group records them at cost, less impairment, and plus or minus subsequent adjustments for observable price changes, in accordance with ASC Topic 321 (“ASC 321”), “*Investments Equity Securities*”. Under this measurement alternative, changes in the carrying value of the equity investments are required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Management regularly evaluates the impairment of these investments based on performance and financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee’s cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in earnings equal to the excess of the investment’s cost over its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Long-term investments (continued)*

Investments in entities in which the Group can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC Topic 323 (“ASC 323”), “*Investments-Equity Method and Joint Ventures*”. Under the equity method, the Group initially records its investment at cost and the difference between the cost of the equity investee and the fair value of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill, which is included in the equity method investment on the consolidated balance sheets. The Group subsequently adjusts the carrying amount of the investment to recognize the Group’s proportionate share of each equity investee’s net income or loss into earnings after the date of investment. The Group will discontinue applying the equity method if an investment (and additional financial supports to the investee, if any) has been reduced to zero. Under the conditions that the Group is not required to advance additional funds to an investee and the equity-method investment in ordinary shares is reduced to zero, if further investments are made that have a higher liquidation preference than ordinary shares, the Group would recognize the loss based on its percentage of the investment with the same liquidation preference, and the loss would be applied to those investments of a lower liquidation preference first before being further applied to the investments of a higher liquidation preference. The Group evaluates the equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. Factors considered by the Group when determining whether an investment has been other-than-temporarily impaired, includes, but not limited to, the length of the time and the extent to which the market value has been less than cost, the financial performance and near-term prospect of the investee, and the Group’s intent and ability to retain the investment until the recovery of its cost. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

According to the above testing, impairment losses of US\$1,372, US\$4,787 and nil for the long-term investments were recognized for continuing operation during the years of 2019, 2020 and 2021, respectively. Impairment losses of US\$1,869, nil and nil for the long-term investments were recognized for discontinued operation during the years of 2019, 2020 and 2021, respectively.

Investments in limited partnerships greater than 5% are considered more than minor and accounted for using the equity method, unless it is readily apparent that the Group has virtually no influence over the partnership’s financial and operating policies.

*Cryptocurrency asset borrowings*

In April 2021, the Group borrowed cryptocurrency assets from a third party on an unsecured basis in connection with acquisition of the entire mining pool business of Blockchain Technologies Holding Company operated under BTC.com. The borrowing is interest-free and due in three months. In July 2021, the Group have repaid the borrowing in cryptocurrencies.

The borrowings are accounted for as hybrid instruments, with a liability host contract that contains an embedded derivative based on the changes in the fair value of the underlying cryptocurrency asset. The host contract is carried at the fair value of the assets acquired. The embedded derivative is accounted for at fair value, with changes in fair value recognized as changes in fair value of derivative instrument in the consolidated statements of comprehensive loss. During the year ended December 31, 2021, the Company recognized changes in fair value of derivative instrument of \$3,696 in the consolidated statements of comprehensive loss.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Derivative contracts*

As a result of the Group entering into transactions to borrow cryptocurrencies, an embedded derivative is recognized relating to the differences between the cost of the cryptocurrencies borrowed on the contract effective date and the fair value of the cryptocurrencies that will ultimately be repaid, based on changes in the spot price of the cryptocurrencies over the term of the borrowing.

The Group measures the fair value of the cryptocurrencies by taking the quoted prices from price aggregator websites, which the Group considers to be a Level 2 fair value input under ASC 820 “Fair Value Measurements and Disclosures”.

*Fair value measurements*

Financial instruments primarily include cash and cash equivalents, restricted cash, accounts receivables, prepayments and other receivables, equity security without readily determinable fair values, equity method investments, accounts payable and accrued expenses and other current liabilities. The Group carries the investment under the measurement alternative basis and equity method investment on other-than-temporary basis. Contingent consideration related to the acquisition of Alliance International Technologies (formerly known as “Blockchain Alliance Technologies Limited”) is included in accrued expenses and other current liabilities in the consolidated balance sheets, the fair value of which was based on the number of shares of ordinary shares that were expected to be issued and the fair value of the ordinary shares of the Company. The carrying values of other financial instruments, approximate their fair values due to their short-term maturities.

The Group’s non-financial assets, including cryptocurrency assets, intangible assets, goodwill and property and equipment are measured at fair value when an impairment charge is recognized. Fair value of cryptocurrencies is based on quoted prices in active markets.

The Group applies ASC 820 (“ASC 820”), “Fair Value Measurements and Disclosures”. ASC 820 defines fair value, establishes a framework for measuring fair value and requires disclosures to be provided on fair value measurement.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1— Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2— Include other inputs that are directly or indirectly observable in the marketplace.

Level 3— Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach, and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Related party transactions*

A related party is generally defined as (i) any person holds 10% or more of the Company’s securities and their immediate families (ii) the Company’s management, (iii) someone that directly or indirectly controls, is controlled by or is under common control with the Company, or (iv) anyone who can significantly influence the financial and operating decisions of the Company. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related parties may be individuals or corporate entities.

Transactions involving related parties cannot be presumed to be carried out on an arm’s-length basis, as the requisite conditions of competitive, free market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm’s-length transactions unless such representations can be substantiated. It is not, however, practical to determine the fair value of amounts due from/to related parties due to their related party nature.

*Revenue recognition*

The Group’s revenues were derived principally from cryptocurrency mining, data center services, mining pool services and online gaming services. The Group also provided sports information service through its VIE subsidiaries and disposed of this business line together with the disposal of VIE structures on July 23, 2021. The Group accounts for revenues under ASC Topic 606 “Revenue from Contracts with Customers” (“ASC 606”).

Revenue is recognized when control of promised goods or services is transferred to the Group’s customers in an amount of consideration to which the Group expects to be entitled to in exchange for those goods or services. The Group follows the five steps approach for revenue recognition under Topic 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Group satisfies a performance obligation.

The primary sources of the Group’s revenues are as follows:

*Cryptocurrency mining*

The Group has entered into a cryptocurrency mining pool, BTC.com, by executing contracts with the mining pool operator to provide computing power to the mining pool. The contracts are terminable at any time by either party and the Group’s enforceable right to compensation only begins when the Group provides computing power to the mining pool operator. In exchange for providing computing power, the Group is entitled to a fractional share of the cryptocurrency award the mining pool operator receives (less cryptocurrency transaction fees to the mining pool operator which are recorded net with revenues), for successfully adding a block to the blockchain. The Group’s fractional share is based on the proportion of computing power the Group contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm. Providing computing power in cryptocurrency transaction verification services is an output of the Group’s ordinary activities. The provision of computing power is the only performance obligation in the Group’s contracts with the pool operator. The transaction consideration the Group receives, if any, is noncash consideration, in the form of cryptocurrencies. The Group measures the cryptocurrencies at fair value when earned from the pool, which is not materially different than the fair value at contract inception. Revenue is considered earned and recognized when the computing power is provided to the mining pool and there is no uncertainty associated with the variable consideration. There is no significant financing component in these transactions.

Fair value of the cryptocurrency award received is determined using the quoted price of the related cryptocurrency when earned.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Revenue recognition (continued)*

Data center services

The Group provides data center services such as providing its customers with rack space, utility and cloud services such as virtual services, virtual storage, and data backup services, generally invoices the customers based on monthly services provided at a defined price included in the contracts. The performance obligations are the services provided to a customer for the month based on the contract. The transaction price is the price agreed with the customer for the monthly services provided and the revenues are recognized monthly based on the services rendered for the month.

Mining pool services

The Group operates its mining pool, BTC.com, to enable providers of computing power (“pool participants”) to participate in crypto-mining activities in an efficient manner in the blockchain network, in exchange for a fee (“pool operator fee”) for its coordination efforts as the pool operator. The Group receives all the mining rewards under the blockchain protocols, and then allocates mining rewards to each pool participant net of the pool operator fees based on the sharing mechanism predetermined. The mining rewards include the block rewards and the transaction verification fees related to the transactions included in the block.

The Group considers itself the principal in transactions with the blockchain networks and recognizes the mining pool revenue on a gross basis. The performance obligation is to create or validate each block. Revenue is recognized at the point when the block creation or validation is complete and the Group has received the rewards. Revenue is measured at the fair value of rewards upon receipt, which is not materially different than the fair value at contract inception. The Group considers itself the principal in transactions with the blockchain networks as it coordinates all the computing power within the mining pool, delivers such aggregated computing power to the blockchain network, collects centrally all mining rewards and distributes them in accordance with the predetermined sharing mechanisms. The Group has control over the pool participants’ computing power. Although the pool participants can enter and exit the pool at will and deploy the qualifying types of mining machines at the choices of the pool participants, during the mining process, the Group dictates the tasks and the participants’ mining machines merely follow the allocation prescribed by the Group. As a result, the Group is primarily responsible for fulfilling the promise to provide the specified service. Further, under existing sharing mechanisms, the Group is exposed to the risk that actual block rewards may differ from expected rewards, therefore, bears the inventory risk before the specified service has been transferred to a customer. The Group provides mining pool services under BTC.com.

Online gaming services

The Group also provides online lottery betting and online casino platforms through the Group’s designated website after the acquisition of TMG in July 2017. The Group earns difference between betting and winning for online lottery betting services and online casino platforms as revenues that are generated from the registered users. The registered users enter into certain terms and conditions when they first open their accounts with the Group. Lottery and Casino purchase orders are placed by users through the Group’s online platforms view website. Then the Group processes these orders. Prior to processing orders, users prepay all purchase amounts. The Group pays users prizes when there are any winnings attributable to users. The Group records revenues on a net basis by deducting the winning amounts from betting amounts. Revenue comprises the fair value of the consideration received for the provision of internet gaming in the ordinary course of the Group’s activities, which is recognized when the outcome of an event is known.

The Company is in the process of terminating its online lottery business in Europe which was operated under The Multi Group (“TMG”), a subsidiary the Company acquired in July 2017. As December 31, 2021, TMG has ceased the business operation under Sweden e-Gaming license. Other business operations have been ceased in January 2022.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Revenue recognition (continued)*

Contract balances

The Group does not have any contract assets. The Group’s contract liabilities include advance from customers, which is recorded when consideration is received from a customer prior to providing services to the customer under the terms of a contract. As of December 31, 2020 and 2021, the Group recorded advance from customers balance of US\$726 and US\$744 respectively, which was included in “Accrued expenses and other current liabilities” in the accompanying consolidated balance sheets. US\$1,190, US\$753 and US\$640 of deferred revenue included in the opening balances of advance from customers was recognized during the years ended December 31, 2019, 2020 and 2021, respectively. The amounts were included in revenues on the accompanying statements of comprehensive loss.

Refer to Note 24 regarding the discussion of the Group's disaggregate revenue data.

*Cost of services*

Cost of mining pool services

Cost of mining pool services which was offered under BTC.com consists primarily of the mining rewards allocated to each pool participant in exchange for their computing power contributed to the mining pool. The mining rewards allocated to the pool participants include both the block rewards as well as the transaction verification fees related to the transactions included in the block, depending on the sharing mechanism chosen by individual pool participants. Cost of mining pool services also consists of other direct costs related to providing the mining pool service such as server fees and labor for maintaining the mining pool service. Cost of mining pool services were US\$1,279.8 million from April 15, 2021 to December 31, 2021. These costs are expensed as incurred.

Cost of data center services

The cost of data center services consists primarily of direct production costs related to data center service, including the direct service charges for operations. The amount was US\$9.9 million for the year ended December 31, 2021. These costs are expensed as incurred.

Server leasing and maintenance expenses

Server leasing and maintenance expenses, which consist primarily of leasing expense of servers housing and other equipment used in providing online gaming services and cryptocurrency mining business, were US\$0.4 million, US\$0.3 million and US\$7.8 million for the years ended December 31, 2019, 2020 and 2021, respectively. These costs are expensed as incurred.

Lottery insurance expenses

Lottery insurance expenses, which consist of insurance premiums payable to insurers for covering the first two categories of winnings in online gaming services for betting on the outcome of lotteries after the acquisition of TMG in July 2017, were US\$1.4 million, US\$0.7 million and US\$0.9 million for the years ended December 31, 2019, 2020 and 2021, respectively. These costs are expensed as incurred.



BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Cost of services (continued)*

Regulatory and compliance fees

Regulatory and compliance fees, which consist of fees payable to regulatory bodies such as Gambling Commission, HM Revenue & Customs, Malta Gaming Authority and Certria EOOD after the acquisition of TMG in July 2017, were US\$0.3 million, US\$0.3 million and US\$0.3 million for the years ended December 31, 2019, 2020 and 2021, respectively. These costs are expensed as incurred.

Depreciation fees

Depreciation fees, which consist primarily of depreciation of machinery and equipment related to cryptocurrency mining and data center services, were US\$13.6 million for the year ended December 31, 2021. These costs are recorded in consolidated statements of comprehensive loss on a straight-line basis over the useful life of the machinery and equipment.

Amortization fees

Amortization fees, which consist primarily of amortization of intangible assets arising from business combinations, were US\$4.1 million, US\$0.2 million and US\$5.2 million for the years ended December 31, 2019, 2020 and 2021, respectively. These costs are recorded in consolidated statements of comprehensive loss on a straight-line basis over the useful life of the intangible assets.

Cost of services also comprise platform fees, employee costs, account handling expense, business tax and surcharges and other direct costs incurred in providing services. These costs are expensed as incurred.

*Sales and marketing expenses*

Sales and marketing expenses consist primarily of employee costs, commission to certain internet companies and expenses related to promotional activities. These costs are expensed as incurred.

*Service development expenses*

Service development expenses consist primarily of personnel-related expenses incurred for the development of, enhancement to, and maintenance of the Group’s website that either (i) did not meet the capitalization criteria in accordance with ASC 350, “*Intangibles - Goodwill and other*”; or (ii) met the capitalization criteria but the costs cannot be separated on a reasonably cost-effective basis between maintenance and relatively minor upgrades and enhancements. Service development expenses are recognized as expenses when incurred.

*Leases*

On January 1, 2019, the Group adopted ASU No. 2016-02, Leases (together with all amendments subsequently issued thereto, “ASC Topic 842”), using the modified retrospective method. The Group elected not to record assets and liabilities on its consolidated balance sheet for new or existing lease arrangements with terms of 12 months or less. The Group recognizes lease expenses for such leases on a straight-line basis over the lease term.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Leases (continued)*

The initial lease liability is equal to the future fixed minimum lease payments discounted using the Group’s incremental borrowing rate, on a secured basis. The initial measurement of the right-of-use asset is equal to the initial lease liability plus any initial direct costs and prepayments, less any lease incentives. When a lease is terminated, the right-of-use asset and operating lease liability associated with the lease are derecognized and any difference between the carrying amounts of the right-of-use asset and the lease liability is recognized in the consolidated statements of comprehensive loss as a gain or loss.

The Group does not have finance lease arrangements as of December 31, 2021. All right-of-use assets are reviewed for impairment. The Group recorded nil, nil and \$387 impairment on the right-of-use lease assets during the years ended December 31, 2019, 2020 and 2021, respectively. These costs are expensed as incurred.

*Income taxes*

The Group follows the asset and liability method of accounting 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 Group 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 the consolidated statements of comprehensive loss in the period that includes the enactment date.

Interest and penalties arising from underpayment of income taxes are computed in accordance with the applicable tax law and is classified in the consolidated statements of comprehensive loss as income tax expense. The amount of interest expense is computed by applying the applicable statutory rate of interest to difference between the tax position recognized and the amount previously taken or expected to be taken in a tax return.

In accordance with the provisions of ASC 740 (“ASC 740”), “*Income taxes*” the Group recognizes in its financial statements the impact of a tax position if a tax return position or future tax position is “more likely than not” to be sustained upon examination based solely on the technical merits of the position. Tax positions that meet the “more likely than not” recognition threshold are measured at the largest amount of tax benefit, determined on a cumulative probability basis, that has a greater than fifty percent likelihood of being realized upon settlement. The Group’s estimated liability for unrecognized tax position is periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The outcome for a particular audit cannot be determined with certainty prior to the conclusion of the audit and, in some cases, appeal or litigation process. The actual benefits or liability ultimately realized may differ from the Group’s estimates. As each audit is concluded, adjustments, if any, are recorded in the Group’s financial statements. Additionally, in future periods, changes in facts, circumstances, and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur.

In conjunction with ASC 740, the Group also applied ASC 740-30 (“ASC 740-30”), “*Income Taxes: Other Considerations or Special Areas*”, to account for the temporary differences arising from the undistributed earnings of the foreign subsidiaries. According to ASC 740-30, all undistributed earnings of a subsidiary shall be presumed to be transferred to the parent entity. Accordingly, the undistributed earnings of a subsidiary included in consolidated income shall be accounted for as a temporary difference and affect deferred tax expense unless the tax law provides a means by which the investment in a domestic subsidiary can be recovered tax free.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Income taxes (continued)*

In December 2019, the FASB issued ASU 2019-12, “*Simplifying the Accounting for Income Taxes*”, which simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. The Group adopted the ASU on January 1, 2021. The adoption did not have a material impact on the Group's consolidated financial statements.

*Share-based compensation*

Share options and restricted shares granted to employees and directors are accounted for under ASC 718 (“ASC 718”), “*Compensation - Stock compensation*”. In accordance with ASC 718, the Group determines whether a share option or restricted shares should be classified and accounted for as an equity award. All grants of share options and restricted shares to employees and directors classified as equity awards are recognized in the financial statements based on their grant date fair values. There were no liability awards granted during any of the periods stated herein. The Group recognizes compensation expense using the accelerated method for share options and restricted shares granted with graded vesting based on service conditions, provided that the amount of compensation expense recognized at any date is at least equal to the portion of the grant-date value of the share options and restricted shares that are vested at that date.

ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in the subsequent period if actual forfeitures differ from initial estimates. Forfeiture rate is estimated based on historical and future expectation of employee turnover rate and is adjusted to reflect future change in circumstances and facts, if any. Share-based compensation expense is recorded net of estimated forfeitures such that expense was recorded only for those share-based awards that are expected to vest. To the extent the Group revises this estimate in the future, the share-based payments could be materially impacted in the period of revision, as well as in following periods.

The compensation costs associated with a modification of the terms of the award (“Modification Award”) are recognized if either the original vesting condition or the new vesting condition has been achieved. Such compensation costs cannot be less than the grant-date fair value of the original award. The incremental compensation cost is measured as the excess of the fair value of the Modification Award over the fair value of the original award at the modification date. Therefore, in relation to the Modification Award, the Group recognizes share-based compensation over the vesting periods of the new options, which comprises, (1) the amortization of the incremental portion of share-based compensation over the remaining vesting term, and (2) any unrecognized compensation cost of original award, using either the original term or the new term, whichever is higher for each reporting period.

The Group, with the assistance of an independent valuation firm, determined the fair values of the share options recognized in the consolidated financial statements. The binomial option pricing model is applied in determining the estimated fair value of the share options granted to employees and non-employees.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Loss per share*

The Company computes loss per Class A and Class B ordinary shares in accordance with ASC 260 (“ASC 260”), “*Earnings Per Share*”, using the two-class method. Under the provisions of ASC 260, basic net loss per share is computed using the weighted average number of ordinary shares outstanding during the period. Diluted net loss per share is computed using the weighted average number of ordinary shares and, if dilutive, potential ordinary shares outstanding during the period. Potentially dilutive securities have been excluded from the computation of diluted net loss per share if their inclusion is anti-dilutive. Potential ordinary shares consist of unvested RSUs and the incremental ordinary shares issuable upon the exercise of stock options. The dilutive effect of unvested RSUs and outstanding stock options is reflected in diluted earnings per share by application of the treasury stock method. The computation of the diluted net loss per share of Class A ordinary shares assumes the conversion of Class B ordinary shares, while the diluted net loss per share of Class B ordinary shares does not assume the conversion of those shares.

The liquidation and dividend rights of the holders of the Company’s Class A and Class B ordinary shares are identical, except with respect to voting. As a result, and in accordance with ASC 260, the undistributed earnings for each year are allocated based on the contractual participation rights of the Class A and Class B ordinary shares as if the earnings for the year had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. Further, as the conversion of Class B ordinary shares is assumed in the computation of the diluted net loss per share of Class A ordinary shares, the undistributed earnings are equal to net loss for that computation.

For the purposes of calculating the Company’s basic and diluted loss per Class A and Class B ordinary shares, the ordinary shares relating to the options that were exercised are assumed to have been outstanding from the date of exercise of such options.

*Government grants*

Government grants are recognized when there is reasonable assurance that the attached conditions will be complied with. When the grant relates to an expense item, it is recognized in the consolidated statements of comprehensive loss over the period necessary to match the grant on a systematic basis to the related costs. Where the grant relates to an asset acquisition, it is recognized in the consolidated statements of comprehensive loss in proportion to the depreciation of the related assets.

*Treasury shares*

The Group accounts for treasury shares using the cost method. Under this method, the cost incurred to purchase the shares is recorded in the treasury shares account on the consolidated balance sheets. At retirement, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury shares over the aggregate par value is allocated between additional paid-in capital (up to the amount credited to the additional paid-in capital upon original issuance of the shares) and retained earnings.

*Recent accounting pronouncements*

The Group has considered all recent accounting pronouncements and has concluded that there are no recent accounting pronouncements that may have a material impact on its Consolidated Financial Statements, based on current information.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

3. CONCENTRATION OF RISKS

*Concentration of credit risk*

Assets that potentially subject the Group to significant concentration of credit risk primarily consist of cash and cash equivalents and restricted cash. As of December 31, 2021, substantially all of the Group’s cash and cash equivalents and restricted cash were deposited in financial institutions located in the PRC, Hong Kong, United States and Malta, which management believes are of high credit quality.

*Vulnerability due to change of regulations or policies*

The blockchain and cryptocurrency mining business could be significantly affected by, among other things, the regulatory and policy developments in international markets where the Company operates, such as the United States and Kazakhstan. Governmental authorities are likely to continue to issue new laws, rules and regulations governing the blockchain and cryptocurrency industry in and enhance enforcement of existing laws, rules and regulations. For example, the People’s Bank of China (the “PBOC”), Ministry of Industry and Information Technology, State Administration for Industry and Commerce, China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission issued “Announcement on Preventing Token Fundraising Risks” on September 4, 2017, prohibiting all organizations and individual from engaging in initial coin offering transactions. On May 21, 2021, the Financial Stability and Development Committee of the PRC State Council called for the need to resolutely control financial risks and crack down on cryptocurrency mining and trading activities. On June 18, 2021, the “Notice of the Sichuan Provincial Development and Reform Commission and the Sichuan Provincial Energy Administration on the Cleanup and Shutdown of Virtual Currency Mining Projects” required electricity companies within Sichuan Province to close down power supply to businesses involved in cryptocurrency mining. On June 21, 2021, the Company terminated the operations of the two data centers in Sichuan according to the written notice from the Local Power Supplier.

On October 14, 2021, the Group announced that its mining pool subsidiary, BTC.com, would completely exit the China market, cease registering new users from China and start to retire accounts of existing users from China. The Group has been working on solutions with its existing users in China, such as migrating users’ mining machines to overseas markets so that they have access to the services in a compliant manner.

The Group had begun the development of the international operations before these regulatory and policy developments in China. In the second half of 2021, the Group has finished the migration of the cryptocurrency operations to international markets.

4. DISCONTINUED OPERATIONS

*Disposition of VIEs and VIE subsidiaries*

On July 23, 2021, the Group terminated all of its lottery business-related VIE contracts for nil consideration and disposed of its Chinese lottery-related business.

From July 23, 2021, the Group no longer retained any financial interest over lottery business related VIEs and accordingly deconsolidated lottery business related VIEs’ financial statements from the Group’s consolidated financial statements. The disposal of lottery business related VIEs represented a strategic shift and has a major effect on the Group’s result of operations. Accordingly, assets, liabilities, revenues, expenses and cash flows related to lottery business related VIEs have been reclassified in the consolidated financial statements as discontinued operations for the years ended December 31, 2019, 2020 and 2021.

## BIT MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

## 4. DISCONTINUED OPERATIONS (Continued)

*Disposition of VIEs and VIE subsidiaries (continued)*

On July 23, 2021, the Group calculated a loss resulting from such disposition as follows:

	As of July 23, 2021
	US\$
Consideration	—
Cash and cash equivalents	1,200
Restricted Cash	194
Prepayments and other receivables	2,032
Property and equipment, net	1,346
Intangible assets, net	102
Long-term investments	492
Other non-current assets	236
Accrued payroll and welfare payable	(173)
Accrued expenses and other current liabilities	(833)
Long-term payables	(61)
Net assets of lottery business related VIEs*	4,535
Non-controlling interest of lottery business related VIEs	2,162
Less: Net assets of lottery business related VIEs contributable to the Company	6,697
Loss on disposal of lottery business related VIEs	(6,697)

- \* Net assets of lottery business related VIEs excluded payables of US\$31,195 to the Company, which mainly consisted a loan of US\$27,987 provided by the Company to the former VIE subsidiary, Shenzhen E-Sun Sky Network Technology Co.,Ltd. (“E-Sun Sky Network”). Considering the financial position of E-Sun Sky Network, which could not generate cash flows in the future with sustainable business, the Company does not have an intention to collect the balance. The Company and E-Sun Sky Network are in the process of applying for the exemption of the debt with the PRC State Administration of Foreign Exchange and the State Taxation Administration.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

4. DISCONTINUED OPERATIONS (continued)

The assets and liabilities for discontinued operations of lottery business related VIEs comprised the following items as of December 31, 2020:

	As of December 31, 2020 US\$
<b><i>Current assets for discontinued operations</i></b>	
Prepayments and other receivables	1,960
Amount due from related-party	56
Total	<u>2,016</u>
<b><i>Non-current assets for discontinued operations</i></b>	
Property and equipment, net	2,034
Intangible assets, net	127
Deposit	65
Long-term investments	1,265
Other non-current assets	169
Total	<u>3,660</u>
<b><i>Current liabilities for discontinued operations</i></b>	
Accrued payroll and welfare payable	(1,883)
Accrued expenses and other current liabilities	(1,077)
Total	<u>(2,960)</u>
<b><i>Non-current liabilities for discontinued operations</i></b>	
Long-term payables	(81)
Total	<u>(81)</u>

The condensed cash flows of lottery business related VIEs were as follows for the years ended December 31, 2019, 2020 and 2021:

	For the years ended December 31,		
	2019 US\$	2020 US\$	2021* US\$
Net cash used in operating activities	(11,596)	(5,960)	(2,985)
Net cash (used in) provided by investing activities	(36)	2,826	953
Net cash provided by (used in) financing activities	21,934	3,026	(26,955)
Effect of foreign exchange on cash	(225)	1,889	381

## BIT MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

## 4. DISCONTINUED OPERATIONS (continued)

The operating results from discontinued operations included in the Group’s consolidated statements of comprehensive loss were as follows for the years ended December 31, 2019, 2020 and 2021:

	For the years ended December 31,		
	2019	2020	2021*
	US\$	US\$	US\$
Major classes of line items constituting pre-tax profit of discontinued operations			
Revenues	593	1,000	1,269
Cost of revenue	(696)	(419)	(192)
Sales and marketing	(3,122)	(1,284)	(556)
General and administrative	(13,751)	(7,822)	(2,322)
Service development expenses	(4,190)	(2,444)	(496)
Other income that are not major	1,132	1,690	73
Loss from discontinued operations, before income tax	(20,034)	(9,279)	(2,224)
Income tax expense	25	500	—
Loss from discontinued operations, net of income tax	(20,009)	(8,779)	(2,224)
Loss on deconsolidation of the subsidiary, net of income tax	-	-	(6,697)
Net loss from discontinued operations, net of income tax	(20,009)	(8,779)	(8,921)

\* Included financial results of discontinued operations from January 1, 2021 to July 23, 2021.

## 5. BUSINESS COMBINATION AND ASSET ACQUISITION

*Acquisition of Loto Interactive*

On June 6, 2017, the Company acquired from Melco LottVentures Holdings Limited an aggregate of 1,278,714,329 shares (the “Sale Shares”) of Loto Interactive (formerly known as MelcoLot Limited), a company listed on the Hong Kong Stock Exchange (Stock Code: 8198), representing approximately 40.65% of Loto Interactive’s existing issued share capital as of the acquisition date. The total consideration paid for the Sale Shares is approximately HK\$322.2 million, equivalent to approximately HK\$0.252 per Sale Share. The Company’s investment in equity shares of Loto Interactive decreased to 33.74% due to exercise of share options granted to directors and employees of Loto Interactive and private placement of Loto Interactive occurred in 2019 and 2020.

On March 31, 2021, the Company completed the subscription for 169,354,839 shares of Loto Interactive, at a price of HK\$0.62 per share for a total consideration of HK\$105 million (US\$13.5 million) in cash (the “Share Subscription”). The Company’s ownership of Loto Interactive thereby increased to 54.2%, and Loto Interactive became a subsidiary of the Company. The Company recorded a gain on the previously-held equity interest of US\$5,500 for the re-measurement of the previously-held equity interest in Loto Interactive at the acquisition date fair value.

Concurrently with the completion of the Share Subscription, Loto Interactive has completed its acquisition of the remaining equity interests in its indirectly held subsidiary, Ganzi Changhe Hydropower Consumption Service Co., Ltd. (“Ganzi Changhe Data Center”), for a total consideration of RMB88,200 (US\$13,841) in cash.



## BIT MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

## 5. BUSINESS COMBINATION AND ASSET ACQUISITION (continued)

*Acquisition of Loto Interactive (continued)*

The following table presents the calculation of the purchase consideration. The calculation of US\$ amount was based on the exchange rate of 1.00 HKD to 0.1286 US\$ of the acquisition date on March 31, 2021.

	<u>Amount</u> HKD	<u>Amount</u> US\$
Re-measurement of the fair value of previously-held equity interest	79,280	10,200
Purchase price at acquisition close on March 31, 2021	105,000	13,503
Fair value of non-controlling shareholders	155,715	20,029
Total allocated purchase price	<u>339,995</u>	<u>43,732</u>

The following table presents the purchase price allocation of the assets acquired and the liabilities assumed at the acquisition date.

	<u>Amount</u> HKD	<u>Amount</u> US\$
Current assets	232,103	29,854
Property and equipment, net	201,713	25,946
Other non-current assets	71,728	9,226
Total identifiable assets acquired	<u>505,544</u>	<u>65,026</u>
Current liabilities	163,161	20,987
Non-current liabilities	2,388	307
Total liabilities assumed	<u>165,549</u>	<u>21,294</u>
Net identifiable assets acquired	<u>339,995</u>	<u>43,732</u>

Total acquisition costs of US\$796 were incurred related to the acquisition, which were recognized as an expense and included in general and administrative expenses in the consolidated statements of comprehensive loss.

On June 18, 2021, the Company completed its unconditional mandatory cash offer, all the shares in issue of Loto Interactive other than those already owned or agreed to be acquired by the Company and its parties acting in concert, pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the “Share Offer”) and its cash offer for the cancellation of all options of Loto Interactive in accordance with Rule 13.5 of the Hong Kong Code on Takeovers and Mergers (the “Option Offer”). Upon closing of such cash offer, the Company acquired a total of 30,642,534 shares with a total consideration of approximately HKD26,224 (US\$3,378) under the Share Offer. The Company’s ownership in Loto Interactive increased to 59.79% accordingly and the transaction was recorded as an equity transaction.

Since the acquisition date, Loto Interactive contributed revenues of US\$12,142 (HKD93,832) to the Group from April 1, 2021 to December 31, 2021 and contributed net loss of US\$27,718 (HKD 214,194) to the Group from April 1, 2021 to December 31, 2021.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

5. BUSINESS COMBINATION AND ASSET ACQUISITION (continued)

*Acquisition of Alliance International Technologies Limited (formerly known as “Blockchain Alliance Technologies Limited”)*

On April 15, 2021, the Company announced the first closing of its previously announced transactions contemplated by the share exchange agreement, as amended (the “Share Exchange Agreement”), dated February 16, 2021, with Blockchain Alliance Technologies Holding Company (“Blockchain Alliance Holding”). Pursuant to the Share Exchange Agreement, the Company has issued an aggregate of 44,353,435 Class A ordinary shares of par value US\$0.00005 per share of the Company to Blockchain Alliance Holding in exchange for the entire outstanding share capital of Alliance International Technologies Limited (“Alliance International Technologies”, formerly known as “Blockchain Alliance Technologies Limited”) held by Blockchain Alliance Holding. In accordance with the Share Exchange Agreement, the entire mining pool business of Bitdeer Technologies Holding Company (“Bitdeer”) operated under BTC.com, including the domain name BTC.com and the cryptocurrency wallet of BTC.com (collectively, the “BTC.com Pool Businesses”) have now been transferred to the Company.

The Company and Blockchain Alliance Holding also agreed that, in the twelve-month period from April 1, 2021 to March 31, 2022, if the BTC.com Pool Businesses records net operating profit, the Company shall issue additional Class A ordinary shares to Blockchain Alliance Holding at par value and a maximum of 22,176,718 additional Class A ordinary shares shall be issuable. If the BTC.com Pool Businesses records net operating loss, the Company shall be entitled to repurchase certain Class A ordinary shares held by Blockchain Alliance Holding at par value and a maximum of 4,435,344 Class A ordinary shares shall be subject to such repurchase arrangement.

The following table presents the calculation of the purchase consideration of the acquisition date on April 15, 2021.

	<u>Amount</u>
	USD
Fair value of 44,353,435 Class A ordinary shares at acquisition close on April 15, 2021	69,945
Contingent consideration	15,183
Total allocated purchase price	<u>85,128</u>

As of the acquisition date, the Group recognized US\$15,183 as contingent consideration in accrued expenses and other current liabilities. As of December 31, 2021, the fair value of the contingent consideration, assessed by a third-party appraiser, was estimated to be US\$1,247. The Group subsequently recognized the changes in fair value of contingent consideration of US\$13,936 in the statement of comprehensive loss.

The following table presents the purchase price allocation of the assets acquired and the liabilities assumed at the acquisition date.

	<u>Amount</u>	<u>Amortization Years</u>
	USD	
Current assets	73,389	
Acquired intangible assets	58,559	10.0
Other non-current assets	31	
Total identifiable assets acquired	<u>131,979</u>	
Other current liabilities	73,420	
Total liabilities	<u>73,420</u>	
Net identifiable assets acquired	<u>58,559</u>	
Total consideration	85,128	
Goodwill	<u>26,569</u>	

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

5. BUSINESS COMBINATION AND ASSET ACQUISITION (continued)

*Acquisition of Alliance International Technologies Limited (formerly named “Blockchain Alliance Technologies Limited”) (continued)*

Goodwill, which is not tax deductible, is primarily attributable to the excess of the consideration over the fair value of the net identifiable assets of the acquiree and is related to synergies expected to be achieved from the acquisition.

Acquired intangible assets consist primarily of brand name and internet domain, which have estimated useful lives of 10 years from the date of acquisition.

Total acquisition costs of US\$766 were incurred related to the acquisition, which were recognized as an expense and included in general and administrative expenses in the consolidated statements of comprehensive loss.

Since the acquisition date, BTC.com Pool Businesses contributed revenues of US\$1,275,097 to the Group from April 16, 2021 to December 31 2021 and contributed net loss of US\$24,288 to the Group from April 16, 2021 to December 31 2021, including the amortization expense of acquired intangible assets of US\$4,148.

The following unaudited pro forma information summarizes the results of operations of the Group for the years ended December 31, 2020 and 2021, as if the acquisitions of Loto Interactive and Alliance International Technologies had been completed on January 1, 2020. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been had the acquisition actually taken place on the date indicated and may not be indicative of future operating results. The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable.

	For the year ended December 31,	
	2020	2021
	(Unaudited)	(Unaudited)
	US\$	US\$
Pro forma total revenues	1,301,890	2,607,685
Pro forma net loss	(39,561)	(87,431)
Pro forma net loss attributable to BIT Mining Limited	(46,089)	(74,912)

These amounts have been calculated after applying the Group’s accounting policies. The Group did not have any material, nonrecurring pro forma adjustments directly attributable to the business combinations included in the reported pro forma total revenues and pro forma net loss.

*Acquisition of Asgard Data Centers LLC*

In September 2021, the Company entered into a Membership Interest Purchase Agreement and certain other auxiliary agreements with Viking Data Centers, LLC (“Viking Data Centers”) to acquire the 51% equity interest in Asgard Data Centers LLC (“Asgard”), which intended to operate a cryptocurrency mining data center in Ohio (the “Ohio Mining Site”). In October 2021, the Company increased its equity interest ownership in the Ohio Mining Site to 55%. The Ohio mining site has a total planned power capacity up to 150 megawatts. Viking Data Centers was obligated to complete certain constructions in the Ohio Mining Site in a total amount of US\$23,800 for Asgard pursuant to the Membership Interest Purchase Agreement.

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(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

5. BUSINESS COMBINATION AND ASSET ACQUISITION (continued)

*Acquisition of Asgard Data Centers LLC (continued)*

The two transactions above were linked and the arrangement was accounted for as an asset acquisition as Asgard did not meet the definition of a business upon acquisition. The total consideration of the arrangement was US\$23,100, including US\$20,625 in cash and 2,358,400 Class A ordinary shares of the Company (or additional cash payment of US\$2,475). As of December 31, 2021, the Group settled payment of US\$16,780 cash consideration for the acquisition and the remaining consideration of US\$6,320 was recorded in the line item of amounts due to related parties in the consolidated balance sheets and will be paid according to the payment schedules prescribed in the agreements of the above transactions.

The following is a summary of the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date.

	<u>Amount</u>	<u>Amortization Years</u>
	US\$	
Non-current assets	29,277	
Acquired intangible asset	18,199	5.0
Total identifiable assets acquired	<u>47,476</u>	
Current liabilities	1,217	
Non-current liabilities	4,259	
Total liabilities	<u>5,476</u>	
Net identifiable assets acquired	42,000	
Non-controlling interest	<u>(18,900)</u>	
Total purchase consideration	<u>23,100</u>	

The acquired intangible asset was the strategic contract entered into with Viking Data Centers that Viking Data Centers will provide the advantageous power supply for the Ohio Mining Site for 5 years.

6. INVESTMENTS

*Long-term Investments*

	<u>As of December 31, 2020</u>	<u>As of December 31, 2021</u>
	US\$	US\$
Carrying amount of equity investments without readily determinable fair value	6,751	7,670
Carrying amount of equity method investments	<u>7,305</u>	<u>2,380</u>
Carrying amount of long-term investments	<u>14,056</u>	<u>10,050</u>

## BIT MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

## 6. INVESTMENTS (continued)

*Long-term Investments (continued)*Equity investments - without readily determinable fair value

Equity investments - without readily determinable fair value consisted of the following:

	As of December 31, 2020 US\$	As of December 31, 2021 US\$
<u>Equity investments without readily determinable fair value</u>		
Private companies	5,506	6,543
Limited partnerships	3,118	3,000
Cost of equity investments without readily determinable fair value	8,624	9,543
Impairment on equity investments without readily determinable fair value	(1,873)	(1,873)
Carrying amount of equity investments without readily determinable fair value	<u>6,751</u>	<u>7,670</u>

## Private companies

In March 2015, the Group acquired 10% of the share capital of Hzone Holding Company, a non-listed company, for a cash consideration of US\$2,000. In March 2016, the Group transferred 10% of the share capital of Hzone Holding Company, to its VIE Beijing Huizhong Wealth Investment Management Co., Ltd. In July 2021, the investment in Beijing Huizhong Wealth Investment Management Co., Ltd. has been disposed with the disposition of lottery business related VIEs.

In August 2015, the Group acquired 1.29% of the share capital of Topgame Global Limited, a non-listed company, for a cash consideration of US\$1,372. The Group also acquired 1.29% of the share capital of its VIEs, Caicaihudong (Beijing) Technology Co., Ltd. and Youwang Technology (Shanghai) Co., Ltd., for cash consideration of RMB13 and RMB477, respectively. In July 2021, the investment in Caicaihudong (Beijing) Technology Co., Ltd. and Youwang Technology (Shanghai) Co., Ltd. have been disposed with the disposition of lottery business related VIEs.

In June 2016, the Group acquired 0.84% of the share capital of Beijing Weisaishidai Sports Technology Co., Ltd, for a cash consideration of RMB10,000. The equity interest was subsequently diluted to 0.83% in 2018 due to increase in shareholder of Beijing Weisaishidai Sports Technology Co., Ltd.

In November 2016, the Group acquired 2% of the share capital of Techelix Co., Ltd, a non-listed company, for a cash consideration of US\$600. In February 2018, the Group made an additional investment of US\$300 in Techelix Co., Ltd. In June 2018, the Group transferred the equity investment of US\$50 to a third party. The equity interest was diluted to 1.98% in 2018 and to 1.65% in 2019 due to increase in shareholder of Techelix Co., Ltd.

In March 2017, the Group acquired 5% of the share capital of Cheerful Interactive Limited, a non-listed company, for a cash consideration of US\$1,250. The equity interest was subsequently diluted to 3.92% in 2018 due to increase in shareholder of Cheerful Interactive Limited.

In October 2021, the Group acquired 3.33% of the share capital of PTE Inc, a non-listed company, for a cash consideration of US\$1,000.

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(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

6. INVESTMENTS (continued)

*Long-term Investments (continued)*

Equity investments without readily determinable fair value (continued)

Limited partnerships

In June 2014, the Group and Danhua Capital L.P (“Danhua”) entered into a subscription agreement, whereby the Group agreed to purchase limited partnership interest in Danhua’s fund (the “Fund”) in the amount of US\$1,000, which entitles the Group an aggregate equity interest of approximately 1.1% in the Fund. As of December 31, 2021, the Group received US\$237 in return of principal from Danhua.

The Fund’s investment strategy is primarily to invest in emerging companies operating in the USA and PRC. The Fund’s investments are focused in the technology, media and telecommunications sectors. The Fund is scheduled to be in existence until November 15, 2021, unless terminated sooner or extended in accordance with the amended and restated limited partnership agreement, which was extended for one years to November 15, 2022 in June 2021.

In June 2015, the Group and Beijing Heimatuoxin Venture Capital L.P. (“Heimatuoxin”) entered into a subscription agreement, whereby the Group agreed to purchase 3.49% limited partnership interest in Heimatuoxin for the total amount of RMB3,000. As of December 31, 2021, the Group received RMB679 in dividend and RMB858 in return of principal from Heimatuoxin.

Heimatuoxin’s investment strategy is primarily to invest in emerging companies operating in the PRC. Heimatuoxin’s investments are focused in the technology, media and telecommunications sectors. Heimatuoxin is scheduled to be in existence until April 16, 2021, unless terminated sooner or extended in accordance with the amended and restated limited partnership agreement, which was extended for two years to April 16, 2023 in July 2020.

In June 2016, the Group and Shanghai Jingyan Corporate Development Centre L.P. (“Jingyan”) entered into a subscription agreement, whereby the Group agreed to purchase 4.64% limited partnership interest in Jingyan for a total amount of RMB6,000. The limited partnership interest was diluted to 4.31% in 2018 because of the joining of additional limited partners. As of December 31, 2021, the Group received RMB2,890 in dividend and RMB60 in return of principal from Jingyan.

Jingyan’s investments are focused in the consulting services of corporate management, business information, exhibition, media and telecommunications sectors. Jingyan is scheduled to be in existence until the fifth anniversary of the Initial Contribution Date, unless terminated sooner or extended in accordance with the amended and restated limited partnership agreement, which was extended for two years in March 2021.

In December 2016, the Group and zPark Capital II,L.P.(“zPark”) entered into a subscription agreement, whereby the Group agreed to purchase 2% limited partnership interest in Zpark for a total amount of US\$1,000. The limited partnership interest was diluted to 1.64% in 2019 due to the joining of additional limited partners and was increased to 1.78% in 2021 due to the exit of other limited partners. As of December 31, 2021, the Group received US\$270 in dividend and US\$56 in return of principal from zPark.

## BIT MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

## 6. INVESTMENTS (continued)

*Long-term Investments (continued)*Equity investments without readily determinable fair value (continued)

## Limited partnerships (continued)

zPark’s investment strategy is primarily to make venture capital investments, principally by investing in and holding equity and equity-oriented securities of privately held early-stage technology companies, with an emphasis on companies with a connection to China, Japan and other Asia markets. The general purposes of zPark are to buy, hold, sell and otherwise invest in Securities, whether readily marketable or not; to exercise all rights, powers, privileges and other incidents of ownership or possession with respect to Securities held or owned by zPark; to enter into, make and perform all contracts and other undertakings. zPark is scheduled to be in existence until the tenth anniversary of the Initial Contribution Date, unless terminated sooner or extended in accordance with the amended and restated limited partnership agreement.

In accordance with ASC 321, the Group elected to use the measurement alternative to measure such investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. The carrying amount of the Group’s equity investments measured using the measurement alternative was US\$8,624, net of US\$1,873 in accumulated impairment and US\$9,543, net of US\$1,873 in accumulated impairment as of December 31, 2020 and 2021, respectively. There was no impairment recognized for the years ended December 31, 2020 and 2021. Impairment charges for the year ended December 31, 2019 included in the net loss from continuing operations consisted of impairments on equity investment in Topgame Global Limited of US\$1,372. Impairment charges for the year ended December 31, 2019 included in the net loss from discontinued operations consisted of impairments on equity investment in Hzone Holding Company of RMB12,400, impairments on equity investment in Caicaihudong (Beijing) Technology Co., Ltd. of RMB13 and impairments on equity investment in Youwang Technology (Shanghai) Co., Ltd of RMB477, totaling to the amount of RMB12,890.

Equity method investments

Equity method investments consisted of the following:

	As of December 31, 2020	As of December 31, 2021
	US\$	US\$
<u>Equity Method Investments</u>		
Listed company	43,410	784
Limited partnership	1,897	1,768
Cost of equity method investments	<u>45,307</u>	<u>2,552</u>
Impairment on equity investment	(31,652)	(417)
Loss (income) from equity method investment	<u>(6,350)</u>	245
Carrying amount of equity method investments	<u><u>7,305</u></u>	<u><u>2,380</u></u>

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(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

6. INVESTMENTS (continued)

*Long-term Investments (continued)*

Equity method investments (continued)

Private company

In May 2018, the Group acquired 45% of the share capital of Shenzhen Jinyingzaixian Technology Service Co., Ltd. (“Jinyingzaixian”), a non-listed company, through Shenzhen KaishengJinfu Enterprise Management Co., Ltd., for a cash consideration of RMB9,000.

In June 2021, the Group disposed of 20% of the share capital of Jinyingzaixian for a cash consideration of RMB2,726.

In July 2021, all the interest of Jinyingzaixian has been disposed of with the disposition of the lottery business related VIEs.

Jinyingzaixian is principally engaged in spot commodity trading services in China. The Group’s proportionate share of Jinyingzaixian’s net income (loss) included in the net loss from discontinued operations were US\$(15), US\$770 and US\$(399) during the years ended December 31, 2019, 2020 and 2021, respectively.

In August 2018, Loto Interactive acquired 20% of the share capital of Guangzhou Sentai Information Technology Co., Ltd. (“Guangzhou Sentai”), a non-listed company, through Zhejiang Keying Ltd., for a cash consideration of RMB5,000.

Guangzhou Sentai is principally engaged in operating a self-media called www.shilian.com providing updated blockchain information. The proportionate share of Guangzhou Sentai’s net income recognized in the consolidated statements of comprehensive loss were US\$17 from March 31, 2021, the acquisition date of Loto Interactive, to December 31, 2021.

Publicly listed company

As described in Note 5, on March 31, 2021, the Company’s ownership of Loto Interactive increased to 54.2% and started to consolidate Loto Interactive. The Group accounted for the investment on Loto Interactive as an equity method investment until March 31, 2021. The Group’s proportionate share of Loto Interactive’s comprehensive loss recognized in the consolidated statements of comprehensive loss were US\$2,382, US\$2,103 and US\$364, including US\$(578), US\$(177) and US\$631 recognized as other comprehensive income (loss), during the years ended December 31, 2019, 2020 and the period from January 1, 2021 to March 31, 2021, respectively. The reclassification from other comprehensive loss into loss from equity method investments was US\$131 as a result of the consolidation of Loto Interactive on March 31, 2021.

Limited partnership

In April 2015, the Group and Guangda Sports Culture Capital L.P (“Guangda Sports Culture”) entered into a subscription agreement, whereby the Group agreed to purchase 9.9% limited partnership interest in Guangda Sports Culture’s fund for a total amount of RMB20,000. Based on actual funding, the limited partnership interest changed to 12.2% as of December 31, 2017.

Guangda Sports Culture’s investment strategy is primarily to invest in emerging companies operating in the PRC. Guangda Sports Culture’s investments are focused in the sports sectors. As of December 31, 2021 and the report date, the investee is in the liquidation process. The Group’s proportionate share of Guangda Sports Culture’s net income (loss) recognized in the consolidated statements of comprehensive loss were US\$323, US\$(471) and US\$(213) during the years ended December 31, 2019, 2020 and 2021, respectively.



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(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

6. INVESTMENTS (continued)

*Long-term Investments (continued)*

Equity method investments (continued)

Limited partnership (continued)

In February 2017, the Group and Sparkland Venture Capital Growth Fund L.P (“Sparkland”) entered into a subscription agreement, whereby the Group agreed to purchase 6.67% limited partnership interest in Sparkland’s fund for a total amount of US\$1,000. Based on actual funding, the limited partnership interest changed to 15.38% as of December 31, 2017.

Sparkland’s investments are focused in the Virtual Reality and Augmented Reality industries. The Group’s proportionate share of Sparkland’s net income (loss) recognized in the consolidated statements of comprehensive loss were US\$(47), US\$62 and US\$130 during the years ended December 31, 2019, 2020 and 2021, respectively.

All of these above-mentioned investments were classified as equity method investments as the Group does have significant influence over the entities. The net operating losses from these equity method investments for continuing operation recognized for the years ended December 31, 2019, 2020 and 2021 were US\$1,915, US\$1,865 and US\$1,184, respectively. The net operating incomes (losses) from these equity method investments included in net loss from discontinued operations recognized for the years ended December 31, 2019, 2020 and 2021 were US\$373, US\$299 and US\$(399), respectively. The Group recognized an impairment of nil, US\$4,787 and nil in Loto Interactive for the years ended December 31, 2019, 2020 and 2021, respectively.

7. CRYPTOCURRENCY ASSETS

The amounts represented the cryptocurrencies held by the Group as of December 31, 2021. For the year ended December 31, 2021, the Group generated cryptocurrencies through cryptocurrency mining business and the mining pool business. The movement of cryptocurrencies was as follows:

	For the year ended December 31, 2021
	US\$
Beginning balance	—
Receipts from issuance of ordinary shares for private placement	19,289
Cryptocurrencies acquired in connection with business combination	73,184
Cryptocurrencies borrowing	10,222
Cryptocurrencies mined from mining pool business	1,275,238
Cryptocurrencies mined from mining business	39,013
Cryptocurrency to be distributed for promotion activities on behalf of a third party	3,179
Deposits received from customers of mining data center	3,965
Distribution to pool participants	(1,282,143)
Repayment of deposit in the form of cryptocurrencies	(6,586)
Repayment of cryptocurrencies borrowings	(6,523)
Payment of service expense and long-lived assets	(2,295)
Cryptocurrencies paid in connection with asset acquisition	(1,731)
Disposal of cryptocurrencies	(37,599)
Others	(379)
Impairment of cryptocurrency assets	(31,757)
Ending balance of cryptocurrency assets, net	<u>55,077</u>

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

8. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables consist of the following:

	As of December 31, 2020	As of December 31, 2021
	US\$	US\$
Receivables from third-party payment service providers	350	574
Utility deposits	—	2,820
Deferred expense*	248	401
Loans to the third parties**	—	9,328
Deductible value-added input tax	692	7,458
Interest receivables	30	—
Others	242	944
Prepayments and other receivables	<u>1,562</u>	<u>21,525</u>

\* Deferred expense represents cash paid in advance to vendors, such as consultant expense and compliance expense, which would be amortized according to their respective service periods.

\*\* Loans to the third parties mainly consist of the free interest and due on demand loans of US\$7,965 to Bee Computing (HK) Limited which engages in the research and development of cryptocurrency mining chips and mining machines.

9. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	As of December 31, 2020	As of December 31, 2021
	US\$	US\$
Machinery and equipment	—	95,979
Electronics and office equipment	1,776	1,280
Motor vehicles	648	966
Leasehold improvements	5,921	9,082
Construction in progress	—	7,662
Property and equipment, cost	8,345	114,969
Less: Accumulated depreciation	(7,348)	(22,284)
Less: Provision for impairment	—	(22,486)
Property and equipment, net	<u>997</u>	<u>70,199</u>

Depreciation expenses from continuing operations for the years ended December 31, 2019, 2020 and 2021 were approximately US\$1,792, US\$2,253 and US\$14,328, respectively. Depreciation expenses from discontinued operations were approximately US\$2,886, US\$4,075 and US\$734 for the years ended December 31, 2019, 2020 and 2021, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

9. PROPERTY AND EQUIPMENT, NET (continued)

Provision for impairment from continuing operations for the year ended December 31, 2021 was approximately US\$22,392, mainly due to the closure and demolition of data centers in Sichuan, China. There was no such impairment for the years ended December 31, 2019 and 2020.

10. INTANGIBLE ASSETS, NET

Intangible assets consist of the following:

	As of December 31, 2020	As of December 31, 2021
	US\$	US\$
Cost:		
Computer software	5,052	3,988
License agreement	22,252	22,252
Internet domain name	—	150
Brand name	12,733	71,292
Strategic contract	—	18,199
	<u>40,037</u>	<u>115,881</u>
Accumulated amortization:		
Computer software	(4,287)	(3,317)
License agreement	(5,470)	(5,470)
Internet domain name	—	(10)
Brand name	(3,131)	(7,279)
Strategic contract	—	(909)
	<u>(12,888)</u>	<u>(16,985)</u>
Impairment* :		
Computer software	(525)	(581)
License agreement	(16,782)	(16,782)
Brand name	(9,602)	(9,602)
	<u>(26,909)</u>	<u>(26,965)</u>
Intangible assets, net	<u>240</u>	<u>71,931</u>

\* The impairment of US\$26,909 was related to the acquired intangible assets of the Multi Group that were recognized during the year ended December 31, 2019. The additional impairment of US\$56 was related to the intangible assets of computer software of Loto Interactive during the year ended December 31, 2021.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

## 10. INTANGIBLE ASSETS, NET (continued)

Amortization expenses from continuing operations for the years ended December 31, 2019, 2020 and 2021 were approximately US\$4,141, US\$252 and US\$5,261, respectively. Amortization expenses from discontinued operations were approximately US\$83, US\$66 and US\$32 for the years ended December 31, 2019, 2020 and 2021, respectively. Annual estimated amortization expense for each of the five succeeding years is as follows:

	<u>US\$</u>
2022	9,559
2023	9,551
2024	9,512
2025	9,511
2026	8,601
2027 and thereafter	<u>25,197</u>
Total	<u><u>71,931</u></u>

## 11. OPERATING LEASES

The Group entered into various operating lease agreements for offices space. The remaining lease terms ranges from 0.33 to 4.75 years. The Group’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following table presents the operating lease related assets and liabilities recorded on the Group's consolidated balance sheet.

	As of December 31, 2020 <u>US\$</u>	As of December 31, 2021 <u>US\$</u>
Right-of-use assets	1,429	6,553
Impairment of right-of-use assets	—	(387)
Right-of-use assets, net	<u>1,429</u>	<u>6,166</u>
Operating lease liabilities - current	569	2,213
Operating lease liabilities – non-current	890	4,569
Total operating lease liabilities	<u>1,459</u>	<u>6,782</u>

For the year ended December 31, 2019, the Group had operating lease costs from continuing operations of US\$966 and short-term lease costs of US\$619. For the year ended December 31, 2020, the Group had operating lease costs from continuing operations of US\$121 and recorded short-term lease costs of US\$405. For the year ended December 31, 2021, the Group had operating lease costs from continuing operations of US\$1,223 and recorded short-term lease costs of US\$270. Cash paid for amounts included in the measurement of operating lease liabilities were nil, US\$52 and US\$735 for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2021, the weighted average remaining lease term was 4.09 years and the weighted average discount rate was 3.71%.

The impairment of right-of-use assets of US\$387 was related to the impairment of Loto Interactive due to the closure of data centers business in Sichuan, China and was recorded in the other operating expenses in the statement of comprehensive loss.

## BIT MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

## 11. OPERATING LEASES (continued)

The following table summarizes the maturity of operating lease liabilities as of December 31, 2021:

	US\$
2022	2,230
2023	1,775
2024	1,188
2025	1,188
2026	891
Total	<u>7,272</u>
Less: imputed interest	(490)
Present value of lease liabilities	<u><u>6,782</u></u>

## 12. ACCOUNTS PAYABLES

Accounts payables consist of the following:

	As of December 31, 2020 US\$	As of December 31, 2021 US\$
Pool participants payable*	—	53,400
Utility cost payable	—	983
Others	—	55
	<u>—</u>	<u><u>54,438</u></u>

\* Pool participants payable represents payments to pool participants in the mining pool business which are settled in cryptocurrencies.

## 13. SHORT-TERM LOANS

In January 2021, for the purpose of acquisition of Loto Interactive, the Group entered into a loan agreement with Shanghai Bank, to borrow a loan for a period of six months, with an amount of HKD173,400 and a fixed interest rate of 6MHIBOR+200BPs per annum. The Company’s cash deposits in the amount of RMB155,000 has been pledged under the loan. By July 2021, the loan has been fully repaid.

In January 2021, the Company further entered into loan agreements with three third parties to borrow HKD11,000, RMB8,000 and RMB10,000, respectively, for no more than three months, with a fixed interest rate of 6% per annum. The loans have been fully repaid in March 2021, May 2021 and March 2021, respectively.

In March and May 2021, the Company further entered into loan agreements with a third party to borrow RMB5,000 for no more than three months, with a fixed interest rate of 6% per annum. In July 2021, the loans have been fully repaid.

## BIT MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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## 13. SHORT-TERM LOANS (continued)

In March and May 2021, the Company entered into a loan agreement and a pledge agreement for one year, pursuant to which the lender agreed to lend to the Company funds equal to approximately US\$18,949, 70% of the current fair market value (the “Loan-to-Value Ratio”) of 350.00971804 bitcoins and 120 bitcoins, respectively, with a fixed interest rate of 3.25% per annum and 2% service fee. The Company pledged 17 additional bitcoins subsequently in May 2021 as requested by the lender. In May 2021, the loans have been fully settled by rendering the pledged bitcoins to the lender.

## 14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	As of December 31, 2020 US\$	As of December 31, 2021 US\$
Advance from end users*	5,227	5,237
Deposit from customers**	—	3,965
Business tax and other taxes payable	211	255
Professional fees and services payable	1,004	4,033
Promotional events payables	314	394
Decoration payables	19	—
Contingent consideration		1,247
Others	723	3,607
	<u>7,498</u>	<u>18,738</u>

\* Advance from end users represents payments received by the Group in advance from the end users prior to the services to be provided.

\*\* Deposit from customers represents payments received by the Group in advance from customers in the data center business.

## 15. STATUTORY RESERVE AND RESTRICTED NET ASSETS

The Company’s ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Company’s PRC subsidiaries only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company’s PRC subsidiaries.

In accordance with the Regulations on Enterprises with Foreign Investment of China and its Articles of Association, the Company’s PRC subsidiaries, E-Sun Sky Computer, Guixinyanghang and Loto Interactive Information being foreign-invested enterprises established in the PRC, are required to provide for certain statutory reserves, namely the general reserve fund, enterprise expansion fund and staff welfare and bonus fund, all of which are appropriated from net profit as reported in its PRC statutory accounts. E-Sun Sky Computer, Guixinyanghang and Loto Interactive Information are required to allocate at least 10% of its after-tax profits to the general reserve fund until such fund has reached 50% of its registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors of the E-Sun Sky Computer, Guixinyanghang and Loto Interactive Information.

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15. STATUTORY RESERVE AND RESTRICTED NET ASSETS (continued)

In accordance with the China Company Laws, the Company’s PRC domestic companies (i.e. Ganzi Changhe, Lecaiyuntian, Chendu Keying and Chengdu Yilaike) must make appropriations from their after-tax profits as reported in their PRC statutory accounts to non-distributable reserve funds, namely statutory surplus fund, statutory public welfare fund and discretionary surplus fund. The PRC domestic companies are required to allocate at least 10% of their after-tax profits to the statutory surplus fund until such fund has reached 50% of their respective registered capital. Appropriation to discretionary surplus is made at the discretion of each individual company.

The general reserve fund and statutory surplus fund are restricted to set-off against losses, expansion of production and operation and increasing registered capital of the respective company. The staff welfare and bonus fund and statutory public welfare fund are restricted to the capital expenditures for the collective welfare of employees. The reserves are not allowed to be transferred to the Company in terms of cash dividends, loans or advances, nor are they available for distribution except under liquidation.

Under PRC laws and regulations, there are restrictions on the Company’s PRC subsidiaries with respect to transferring certain of their net assets to the Company either in the form dividends, loans, or advances. Amounts restricted include paid-in capital and statutory reserve funds of the Company’s PRC subsidiaries, as determined pursuant to PRC generally accepted accounting principles, totaling approximately US\$110,715 as of December 31, 2021. Therefore, in accordance with Rules 504 and 4.08(e)(3) of Regulation S-X, the condensed parent company only financial statements as of December 31, 2020 and 2021 and for each of the three years in the period ended December 31, 2021 are disclosed in Note 26.

Furthermore, cash transfers from the Company’s PRC subsidiaries to its subsidiaries outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may restrict the ability of the PRC subsidiaries and consolidated affiliated entities to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

16. INCOME TAXES

*Cayman Islands*

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

*USA*

Summit Bend, Ohio I, Ohio II and Asgard is incorporated in the USA. Under the current laws, profits tax in USA is generally assessed at the rate 21% of taxable income.

*British Virgin Islands*

Under the current laws of the British Virgin Islands, BVI is not subject to tax on income or capital gains.

*Curacao*

Multi Pay N.V. is incorporated in the Curacao, Under the current laws, profits tax in Curacao is generally assessed at the rate of 2% of taxable income.

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## 16. INCOME TAXES (continued)

*Malta*

Under the current laws, profits tax in Malta is generally assessed at the rate of 35% of taxable income. When dividend is paid or declared to the holding company, the paying entity is entitled to claim 6/7 of the profit tax paid as refund, which may effectively reduce income tax rate to 5%.

*Cyprus*

Round Spot Services Ltd is incorporated in Cyprus and does not conduct any substantive operations of its own. No provision for Cyprus income tax has been made in the financial statements as Round Spot Services Ltd had no assessable income for the years ended December 31, 2019, 2020 and 2021.

*Hong Kong*

500wan HK, Sunstar Technology, Skill Esport and the Hong Kong subsidiaries of Loto Interactive are incorporated in Hong Kong, under the current laws, profits tax in Hong Kong is generally assessed at the rate of 8.25% of taxable income up to HKD2,000 and assessed at the rate of 16.5% of taxable income over HKD2,000.

*People’s Republic of China*

A new enterprise income tax law (the “EIT Law”) in the PRC was enacted and became effective on January 1, 2008. The EIT Law applies a uniform 25% enterprise income tax (“EIT”) rate to both foreign invested enterprises and domestic enterprises. The subsidiaries incorporated in PRC are subject to the EIT rate of 25% in 2019, 2020 and 2021, respectively.

Loss before income taxes from continuing operations consists of:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	US\$	US\$	US\$
Cayman Islands	(62,773)	(17,673)	(7,732)
USA	(631)	(80)	(1,292)
Hong Kong	(1,184)	(710)	(25,039)
Japan	(366)	(79)	—
Malta	(37)	(1,410)	(1,152)
Curacao	(3,291)	160	114
Cyprus	(4)	(6)	—
PRC	<u>(7,647)</u>	<u>(3,556)</u>	<u>(28,824)</u>
	<u>(75,933)</u>	<u>(23,354)</u>	<u>(63,925)</u>



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(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

16. INCOME TAXES (continued)

The current and deferred components of the income tax expense from continuing operations in the consolidated statements of comprehensive loss are as follows:

	<u>2019</u> US\$	<u>2020</u> US\$	<u>2021</u> US\$
Current tax benefit (expense)	(27)	(1)	—
Deferred tax benefit	<u>1,110</u>	<u>31</u>	<u>359</u>
Income tax benefit	<u>1,083</u>	<u>30</u>	<u>359</u>

The reconciliation of tax computed by applying the statutory income tax rate of 16.5% applicable to Hong Kong operations for 2021, and 25% applicable to PRC operations for 2020 and 2019 to income tax benefit from continuing operations is as follows:

	<u>2019</u> US\$	<u>2020</u> US\$	<u>2021</u> US\$
Loss before income taxes	(75,933)	(23,354)	(63,925)
Income tax computed at applicable tax rates	(18,983)	(5,839)	(10,548)
Effect of different tax rates in different jurisdictions	162	323	(858)
Non-deductible expenses	17,524	3,940	5,481
Change in valuation allowance	1,522	1,812	6,188
Effect of EIT reversal for previous years	—	(22)	(359)
Research and development super-deduction	(198)	(235)	(263)
Others	<u>(1,110)</u>	<u>(9)</u>	<u>—</u>
	<u>(1,083)</u>	<u>(30)</u>	<u>(359)</u>

The components of deferred taxes are as follows:

	<u>2020</u> US\$	<u>2021</u> US\$
Deferred tax assets		
Advertising costs deductible in future years	212	—
Loss from equity method investment	—	53
Bad debt provision	720	887
Impairment of long-lived asset	—	7,526
Net operating losses (“NOLs”)	6,314	16,286
Less: valuation allowance	<u>(7,246)</u>	<u>(24,752)</u>
Total deferred tax assets, net	<u>—</u>	<u>—</u>

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16. INCOME TAXES (continued)

The Group records a valuation allowance on its deferred tax assets that is sufficient to reduce the deferred tax assets to an amount that is more likely than not to be realized. Future reversal of the valuation allowance will be recognized either when the benefit is realized or when it has been determined that it is more likely than not that the benefit in future earnings will be realized.

As of December 31, 2021, the Group had NOLs of approximately US\$65,151 from PRC subsidiaries, US\$11,086 from Hong Kong subsidiaries, respectively, which can be carried forward to offset future net profit for income tax purposes. The NOLs from PRC subsidiaries as of December 31, 2021 will expire in years 2022 to 2026 if not utilized.

The cumulative amount of the temporary differences in respect of investments in foreign subsidiaries were nil as of December 31, 2020 and 2021. Upon repatriation of the foreign subsidiaries, in the form of dividends or otherwise, the Company would be subject to various PRC income taxes including withholding income tax. The related unrecognized deferred tax liabilities were nil as of December 31, 2020 and 2021.

17. EMPLOYEE DEFINED CONTRIBUTION PLAN

Full time employees of the Group in 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 of the Group make contributions to the government for these benefits based on certain percentages of the employees’ salaries. The Group has no legal obligation for the benefits beyond the contributions made. Such employee benefits, which were expensed as incurred, amounted to approximately US\$268, US\$126 and US\$828 for the years ended December 31, 2019, 2020 and 2021, respectively.

18. SHARE-BASED PAYMENT

On March 28, 2011, the shareholders and board of directors of the Company approved the 2011 Share Incentive Plan (the “Plan”). The Plan provides for the grant of options, restricted shares and other share-based awards. These options were granted with exercise prices denominated in US\$, which is the functional currency of the Company. The board of directors has authorized under the Plan the issuance of up to 12% of the Company’s issued and outstanding ordinary shares from time to time, on an as-exercised and fully diluted basis, upon exercise of awards granted under the Plan. The maximum term of any issued share option is ten years from the grant date.

On March 28, 2021, the shareholders and board of directors of the Company approved the 2021 Share Incentive Plan (the “Plan”). The Plan provides for the grant of options, restricted shares and other share-based awards. These options were granted with exercise prices denominated in US\$, which is the functional currency of the Company. The board of directors has authorized under the Plan the issuance of up to 12% of the Company’s issued and outstanding ordinary shares from time to time, on an as-exercised and fully diluted basis, upon exercise of awards granted under the Plan. The maximum term of any issued share option is ten years from the grant date.

On January 2, 2019, the Company granted 7,553,980 RSUs to employees, which were vested on January 1, 2020.

On June 26, 2020, the Company granted 12,977,740 RSUs to employees. For these rewards, 6,488,870 RSUs were vested on July 1, 2020, and 6,488,870 RSUs were vested on December 1, 2020.

On December 21, 2020, the Company granted and vested 4,500,000 RSUs to employees.

On July 19, 2021, the Company granted 25,777,390 RSUs to employees and directors. For these rewards, 1,680,000 RSUs vested on November 22, 2021, 2,067,830 RSUs vested on December 1, 2021, and 22,029,560 RSUs will vest on June 1, 2022.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

18. SHARE-BASED PAYMENT (continued)

A summary of share option and restricted shares activity and related information for the years ended December 31, 2019, 2020 and 2021 are as follows:

*Share options granted to employees and directors*

	Number of options	Weighted average exercise price US\$	Weighted average grant date fair value per share US\$	Weighted average remaining contractual year (Years)	Aggregated intrinsic value US\$'000
Outstanding, January 1, 2019	35,474,100	1.07	1.17	0.94	2,078
Granted	—	—	—	—	—
Forfeited	(5,900,000)	1.74	0.92	—	—
Exercised	(3,572,880)	0.69	0.97	—	921
Outstanding, December 31, 2019	<u>26,001,220</u>	0.96	1.25	0.71	1,590
Granted	—	—	—	—	—
Forfeited	(18,616,300)	3.01	1.32	—	—
Exercised	(125,900)	0.20	0.38	—	88
Outstanding, December 31, 2020	<u>7,259,020</u>	0.99	1.09	0.51	907
Granted	—	—	—	—	—
Expired	(3,708,680)	2.70	1.15	—	—
Exercised	(3,508,990)	0.71	1.00	—	524
Outstanding, December 31, 2021	<u>41,350</u>	0.40	0.97	1.81	9
Vested and expected to vest at December 31, 2021	<u>41,350</u>	0.40	0.97	1.81	9
Exercisable at December 31, 2021	<u>41,350</u>	0.40	0.97	1.81	9

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(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

18. SHARE-BASED PAYMENT (continued)

*Restricted shares granted to employees and directors*

	Number of options	Weighted average grant date fair value per share US\$	Weighted average remaining contractual year (Years)	Aggregated intrinsic value US\$'000
Outstanding, January 1, 2019	7,076,760	1.15	8.99	5,364
Granted	7,553,980	0.76	9.01	6,496
Forfeited	—	—	—	—
Exercised	<u>(1,224,180)</u>	1.41	—	1,053
Outstanding, December 31, 2019	13,406,560	0.93	8.52	11,530
Granted	17,477,740	0.36	9.61	15,730
Forfeited	—	—	—	—
Exercised	—	—	—	—
Outstanding, December 31, 2020	30,884,300	0.62	8.98	27,796
Granted	25,777,390	0.42	9.55	15,827
Forfeited	—	—	—	—
Exercised	<u>(34,632,130)</u>	0.60	—	21,264
Outstanding, December 31, 2021	<u>22,029,560</u>	0.42	9.55	13,526
Vested and expected to vest at December 31, 2021	<u>22,029,560</u>	0.42	9.55	13,526
Exercisable at December 31, 2021	<u>22,029,560</u>	0.42	9.55	13,526

The aggregate intrinsic value in the table above represents the difference between the fair value of Company’s ordinary share as of December 31, 2020 and 2021 and the exercise price.

As of December 31, 2021, there was no unrecognized share-based compensation costs related to equity awards granted to employees and directors that is expected to be recognized.

As of December 31, 2021, there was US\$4,474 unrecognized restricted share compensation costs related to equity awards granted to employees that is expected to be recognized. To the extent the actual forfeiture rate is different from the original estimate, actual restricted share compensation costs related to these awards may be different from the expectation.

## BIT MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

## 18. SHARE-BASED PAYMENT (continued)

*Restricted shares granted to employees and directors (continued)*

During the years ended December 31, 2019 and 2020, the Company has made several modifications on share options by extending the maturity dates of the unexercised share options, which resulted in incremental compensation cost. The incremental fair value of share options was determined using the binomial option valuation model, with the assistance from an independent third-party appraiser. The binomial model requires the input of highly subjective assumptions, including the expected share price volatility and the suboptimal early exercise factor. For expected volatilities, the Company has made reference to historical volatilities of several comparable companies. The sub-optimal early exercise factor was estimated based on the vesting and contractual terms of the awards and management’s expectation of exercise behavior of the grantees. The risk-free rate for periods within the contractual life of the options is based on market yield of U.S. Treasury Bond in effect at the time of grant. During the year ended December 31, 2021, no share options were modified. The assumptions used to estimate the fair value of the share options modified are as follows:

	For the years ended December 31,	
	2019	2020
Expected volatility	66.89%~67.67 %	85.73%~97.73 %
Risk-free interest rate	1.62%~1.95 %	0.11%~0.17 %
Dividend yield	0.00 %	0.00 %
Forfeiture rate	0.00 %	0.00 %
Suboptimal early exercise factor	2.2~2.8	2.2~2.8

The fair value of restricted shares was determined using the market price of the ordinary shares of the Company on the grant date.

The exercise price of share options granted to the employees and directors equaled the market price of the ordinary shares on the grant date. No share options were granted during the years ended December 31, 2019, 2020 and 2021.

The total fair value of the restricted shares granted to the employees and directors during the years ended December 31, 2019, 2020 and 2021 were US\$5,749, US\$6,318 and US\$10,852, respectively.

The Company granted restricted shares to employees and directors during the years ended December 31, 2019, 2020 and 2021 with free exercise price. The weighted-average grant-date fair value per restricted shares granted to employees and directors during the years ended December 31, 2019, 2020 and 2021 were US\$0.76, US\$0.62 and US\$0.42, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

18. SHARE-BASED PAYMENT (continued)

*Restricted shares granted to employees and directors (Continued)*

Total share-based compensation expenses relating to options and restricted shares granted to employees and directors for the years ended December 31, 2019, 2020 and 2021 are included in:

	For the year ended December 31, 2019		
	Employees	Directors	Total
	US\$	US\$	US\$
Cost of services	2	—	2
Sales and marketing	1,075	—	1,075
General and administrative	8,364	73	8,437
Service development expenses	1,984	—	1,984
	<u>11,425</u>	<u>73</u>	<u>11,498</u>
	For the year ended December 31, 2020		
	Employees	Directors	Total
	US\$	US\$	US\$
Sales and marketing	694	—	694
General and administrative	4,568	1,355	5,923
Service development expenses	1,430	—	1,430
	<u>6,692</u>	<u>1,355</u>	<u>8,047</u>
	For the year ended December 31, 2021		
	Employees	Directors	Total
	US\$	US\$	US\$
Cost of services	1,665	—	1,665
Sales and marketing	16	—	16
General and administrative	2,843	1,613	4,456
Service development expenses	309	—	309
	<u>4,833</u>	<u>1,613</u>	<u>6,446</u>

## BIT MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

## 19. RELATED PARTY TRANSACTIONS

*Amounts due from a related party*

As of December 31, 2020, the balance of due from a related party was in the amount of US\$56. The balance represented interest receivable with interest rate of 4.35% for a loan provided to the subsidiary of Loto Interactive by E-Sun Sky Network Technology Co., Ltd (the Company’s former VIE subsidiary) which was included in current assets for discontinued operations. In January 2021, the balance has been fully paid.

*Prepayments to a related party – non-current*

As of December 31, 2021, the balance of prepayments to related party was in the amount of US\$11,504. The balance consisted of prepayments for assets purchased from the minority interest shareholder of a subsidiary.

*Amounts due to related parties*

There was no amount due to related parties as of December 31, 2020.

As of December 31, 2021, the balance of due to related parties was in the amount of US\$8,021, which mainly consisted of (i) US\$6,320 of the payable to the minority interest shareholders of a subsidiary for the remaining consideration of the asset acquisition of Asgard Data Centers; (ii) US\$1,325 of the payable to the minority interest shareholders of a subsidiary for the data center operation costs; (iii) US\$59 of the payment of property and equipment made by a former shareholder of a subsidiary of the Group on behalf of Loto Interactive; (iv) US\$299 of payable for business cooperation expense due to a minority interest shareholder of a subsidiary of Loto Interactive, and (v) US\$18 of the expense paid by a director of a subsidiary of the Group on behalf of Loto Interactive.

*Related Party transactions*

	For the year ended December 31, 2019	For the year ended December 31, 2020	For the year ended December 31, 2021
	US\$	US\$	US\$
Interest from loan to Loto Interactive Information	32	20	—
Other operating income from management service provided to Loto Interactive Information	46	32	—
Data center operation costs for services provided by a minority interest shareholder of a subsidiary	—	—	1,325
	<u>78</u>	<u>52</u>	<u>1,325</u>

During the year ended December 31, 2020, the Company also paid expense on behalf of Loto Interactive in the amount of US\$17. As of December 31, 2020, Loto Interactive has repaid the full amount to the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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20. COMMITMENTS AND CONTINGENCIES

*Contractual arrangements among the Company and the former VIEs*

Under applicable PRC tax laws and regulations, arrangements and transactions among related parties may be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. The Company could face material and adverse tax consequences if the PRC tax authorities were to determine that the Contractual Arrangements among the Company and the respective VIEs were not entered into on an arm’s-length basis and therefore constituted unfavorable transfer pricing arrangements. Unfavorable transfer pricing arrangements could, among other things, result in an upward adjustment on taxation. In addition, the PRC tax authorities may impose interest on late payments on the Company and the respective VIEs for the adjusted but unpaid taxes. In the opinion of management, the likelihood of such an upward adjustment on taxation and related interest is remote based on current facts and circumstances.

*Guarantees*

The Group accounts for guarantees in accordance with ASC topic 460 (“ASC 460”), “*Guarantees*”. Accordingly, the Group evaluates its guarantees to determine whether (a) the guarantee is specifically excluded from the scope of ASC 460, (b) the guarantee is subject to ASC 460 disclosure requirements only, but not subject to the initial recognition and measurement provisions, or (c) the guarantee is required to be recorded in the financial statements at fair value.

The memorandum and articles of association of the Company require that the Company indemnify its officers and directors, as well as those who act as directors and officers of other entities at the Company’s request, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceedings arising out of their services to the Company. The indemnification obligations are more fully described in the memorandum and articles of association. The Company purchases standard directors’ and officers’ insurance to cover claims or a portion of the claims made against its directors and officers. Since a maximum obligation is not explicitly stated in the Company’s memorandum and articles of association and will depend on the facts and circumstances that arise out of any future claims, the overall maximum amount of the obligations cannot be reasonably estimated.

Historically, the Group has not been required to make payments related to these obligations, and the fair value for these obligations is zero as of December 31, 2020 and 2021.

*Indemnity cost*

There was no indemnity cost occurred in 2019, 2020 and 2021.



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20. COMMITMENTS AND CONTINGENCIES (continued)

*Legal proceedings*

From time to time, the Group is subject to legal proceedings and claims in the ordinary course of business. The Group records a liability when it is both probable that a liability will be incurred and the amount of the loss can be reasonably estimated. The Group reviews the need for any such liability on a regular basis and has not recorded any material liabilities in this regard during 2019, 2020 and 2021.

On February 13, 2020, a securities class action lawsuit was filed against BIT Mining Limited and certain of the Group’s current and former officers (collectively, “Defendants”) in the United States District Court for the Eastern District of New York. The complaint alleges, among other things, that the Group made materially misleading statements and omissions regarding its compliance with applicable anti-corruption laws and regulations. In June 2020, the lead plaintiff filed an amended complaint. In November 2020, the lead plaintiff filed a second amended complaint. The claims raised in the first amended complaint do not differ materially from those raised in the original complaint. The second amended complaint raises the same claims as the first amended complaint, but alleges additional facts in support of those claims. On December 21, 2020, the Company served its Motion to Dismiss the second amendment complaint (“Motion to Dismiss”). On January 20, 2021, lead plaintiff served its opposition to the Company’s Motion to Dismiss. On February 19, 2021, the Company filed all papers associated with its Motion to Dismiss, including the Company’s reply in further support of the Motion to Dismiss. On August 13, 2021, a Report and Recommendation was issued to grant the Motion to Dismiss. Plaintiffs filed objections to the Report and Recommendation on August 27, 2021 and the defendants responded on September 10, 2021. On September 20, 2021, the Court dismissed the case and the Clerk of the Court is directed to enter judgment consistent with this Order and close the case. As such, this case is now terminated.

On January 15, 2020, a securities class action lawsuit, making allegations virtually identical with the abovementioned lawsuit filed on February 13, 2020, was filed in the United States District Court for the District of New Jersey. On March 23, 2020, the plaintiff noticed his voluntary dismissal of this case, and on April 8, 2020, the clerk of the Court was ordered to close the case file. As such, this case is now terminated.

*Operating lease commitments*

The information of lease commitments is provided in Note 11.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

21. LOSSES PER SHARE

Basic and diluted losses per share for each of the years presented is calculated as follows:

	For the years ended December 31,					
	2019		2020		2021	
	US\$ Class A	US\$ Class B	US\$ Class A	US\$ Class B	US\$ Class A	US\$ Class B
<b>Losses per share from continuing operations—basic:</b>						
<b>Numerator:</b>						
Allocation of net loss from continuing operations attributable to BIT Mining Limited’s ordinary shareholders used in calculating losses per ordinary share—basic	(69,047)	(5,803)	(23,278)	(46)	(51,774)	—
<b>Denominator:</b>						
Weighted average number of ordinary shares outstanding used in calculating basic losses per share	395,357,173	33,229,132	429,164,170	847,093	622,337,875	99
Denominator used for losses per share	395,357,173	33,229,132	429,164,170	847,093	622,337,875	99
Losses per share from continuing operations — basic	(0.17)	(0.17)	(0.05)	(0.05)	(0.08)	—
<b>Losses per share from continuing operations—diluted:</b>						
<b>Numerator:</b>						
Allocation of net loss from continuing operations attributable to BIT Mining Limited’s ordinary shareholders used in calculating loss per ordinary share—diluted	(69,047)	(5,803)	(23,278)	(46)	(51,774)	—
Reallocation of net loss from continuing operations attributable to BIT Mining Limited’s ordinary shareholders as a result of conversion of Class B to Class A shares	(5,803)	—	(46)	—	—	—
Net loss from continuing operations attributable to ordinary shareholders	(74,850)	(5,803)	(23,324)	(46)	(51,774)	—
<b>Denominator:</b>						
Weighted average number of ordinary shares outstanding used in calculating basic losses per share	395,357,173	33,229,132	429,164,170	847,093	622,337,875	99
Conversion of Class B to Class A ordinary shares	33,229,132	—	847,093	—	99	—
Denominator used for losses per share	428,586,305	33,229,132	430,011,263	847,093	622,337,974	99
Losses per share from continuing operations—diluted	(0.17)	(0.17)	(0.05)	(0.05)	(0.08)	—
<b>Losses from continuing operations per ADS:</b>						
Denominator used for losses per ADS - basic	39,535,717	—	42,916,417	—	62,233,788	—
Denominator used for losses per ADS - diluted	42,858,631	—	43,001,126	—	62,233,797	—
Losses from continuing operations per ADS – basic	(1.75)	—	(0.54)	—	(0.83)	—
Losses from continuing operations per ADS – diluted	(1.75)	—	(0.54)	—	(0.83)	—

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

21. LOSSES PER SHARE (continued)

	For the years ended December 31,					
	2019		2020		2021	
	US\$ Class A	US\$ Class B	US\$ Class A	US\$ Class B	US\$ Class A	US\$ Class B
<b>Losses per share from discontinued operations—basic:</b>						
<b>Numerator:</b>						
Allocation of net loss from discontinued operations attributable to BIT Mining Limited’s ordinary shareholders used in calculating losses per ordinary share—basic	(18,054)	(1,517)	(9,070)	(18)	(8,742)	—
<b>Denominator:</b>						
Weighted average number of ordinary shares outstanding used in calculating basic loss per share	395,357,173	33,229,132	429,164,170	847,093	622,337,875	99
Denominator used for loss per share	395,357,173	33,229,132	429,164,170	847,093	622,337,875	99
Losses per share from discontinued operations — basic	(0.05)	(0.05)	(0.02)	(0.02)	(0.01)	—
<b>Losses per share from discontinued operations—diluted:</b>						
<b>Numerator:</b>						
Allocation of net loss from discontinued operations attributable to BIT Mining Limited’s ordinary shareholders used in calculating loss per ordinary share—diluted	(18,054)	(1,517)	(9,070)	(18)	(8,742)	—
Reallocation of net loss from discontinued operations attributable to BIT Mining Limited’s ordinary shareholders as a result of conversion of Class B to Class A shares	(1,517)	—	(18)	—	—	—
Net loss from discontinued operations attributable to ordinary shareholders	(19,571)	(1,517)	(9,088)	(18)	(8,742)	—
<b>Denominator:</b>						
Weighted average number of ordinary shares outstanding used in calculating basic loss per share	395,357,173	33,229,132	429,164,170	847,093	622,337,875	99
Conversion of Class B to Class A ordinary shares	33,229,132	—	847,093	—	99	—
Denominator used for loss per share	428,586,305	33,229,132	430,011,263	847,093	622,337,974	99
Losses per share from discontinued operations—diluted	(0.05)	(0.05)	(0.02)	(0.02)	(0.01)	—
<b>Losses from discontinued operations per ADS:</b>						
Denominator used for loss per ADS - basic	39,535,717	—	42,916,417	—	62,233,788	—
Denominator used for loss per ADS - diluted	42,858,631	—	43,001,126	—	62,233,797	—
Losses from discontinued operations per ADS – basic	(0.46)	—	(0.21)	—	(0.14)	—
Losses from discontinued operations per ADS – diluted	(0.46)	—	(0.21)	—	(0.14)	—

22. EQUITY TRANSACTIONS

The authorized share capital consisted of 2,000,000,000 ordinary shares at a par value of US\$0.00005 per share, of which 1,599,935,000 shares were designated as Class A ordinary shares, 65,000 shares as Class A preference shares and 400,000,000 as Class B ordinary shares. The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting and conversion rights. Each share of Class A ordinary shares is entitled to one vote per share and is not convertible into Class B ordinary shares under any circumstances. Each share of Class B ordinary shares is entitled to ten votes per share and is convertible into one Class A ordinary share at any time by the holder thereof. The voting power of each Class A preference share is equal to that of 10,000 Class A ordinary shares. The Class A preference shares cannot be converted into Class A ordinary shares, Class B ordinary shares, or ADRs and are not entitled to receive dividends.

In 2019, 3,572,880 share options were exercised at the exercise prices of US\$0.2 to US\$1.0 per share, resulting in the issuance of 3,572,880 Class A ordinary shares at US\$0.00005 each for an aggregate consideration of US\$2,456, and 1,224,180 restricted shares were vested and exercised without exercise prices. During the year 2019, 64,400,200 Class B ordinary shares were converted to Class A ordinary shares. As of December 31, 2019, 420,001,792 and 10,000,099 Class A and Class B ordinary shares were issued and outstanding, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

22. EQUITY TRANSACTIONS (continued)

In 2020, 125,900 share options were exercised at the exercise prices of US\$0.2 per share, resulting in the issuance of 125,900 Class A ordinary shares at US\$0.00005 each for an aggregate consideration of US\$27. During the year of 2020, 10,000,000 Class B ordinary shares were converted to Class A ordinary shares. As of December 31, 2020, 430,127,692 and 99 Class A and Class B ordinary shares were issued and outstanding, respectively.

In 2021, 3,508,990 share options were exercised at the exercise prices of US\$0.2 to US\$1.0 per share resulting in the issuance of 3,508,990 Class A ordinary shares at US\$0.00005 each for an aggregate consideration of US\$2,496, and 34,632,130 restricted shares were vested and exercised without exercise prices. During the year ended December 31, 2021, 185,572,963 Class A ordinary shares were issued for private placement and 56,236,295 Class A ordinary shares were issued for business combinations. As of December 31, 2021, 710,078,070 and 99 Class A and Class B ordinary shares were issued and outstanding, respectively.

The Company’s Board of Directors has appointed Mr. Man San Vincent Law as its Executive Director, effective as of April 5, 2021, and authorized the Company to issue 65,000 Class A preference shares (the “Preference Shares”) at US\$1.0 per share, for a total consideration of US\$65,000, to Good Luck Capital Limited (“Good Luck”), a company wholly-owned by Mr. Law. Following the issuance of the Preference Shares, Mr. Man San Vincent Law’s aggregate voting power increased from approximately 17.66% to approximately 54.90% (based on the Company’s total outstanding share capital as of December 31, 2021). The following is a summary of the key terms associated with the Preference Shares.

- (1) The voting power of each Preference Share is equal to that of 10,000 Class A ordinary shares of the Company, subject to proportional reduction commensurate with the number of Class A ordinary shares beneficial owned by Good Luck;
- (2) The Preference Shares cannot be converted into Class A ordinary shares, Class B ordinary shares, or ADRs;
- (3) The Preference Shares are not entitled to receive dividends;
- (4) If Good Luck transfers the Preference Shares to a third party which is not an affiliate of Good Luck, or when Good Luck ceases to be controlled by any person holding executive office in or being a member of the board of director of the Company, Class A Preference Shares shall cease to have any voting right and
- (5) If Mr. Law ceases to serve as a director of the Company, the Company shall be entitled to redeem the Class A Preference Shares at the original subscription price.

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23. FAIR VALUE MEASUREMENT

As of December 31, 2020 and 2021, information about inputs into the fair value measurement of the Group’s assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

<i>Description</i>	Total fair value at December 31, 2020 US\$	Fair value measurement at December 31, 2020		
		Quoted prices in active markets for identical assets (Level 1) US\$	Significant other observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$
		US\$	US\$	US\$
Assets				
Cash equivalents				
Wealth management products	15,388	—	15,388	—
<b>Total assets</b>	<b>15,388</b>	<b>—</b>	<b>15,388</b>	<b>—</b>
		Fair value measurement at December 31, 2021		
		Quoted prices in active markets for identical assets (Level 1) US\$	Significant other observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$
		US\$	US\$	US\$
Liabilities				
Contingent consideration	1,247	—	—	1,247
<b>Total liabilities</b>	<b>1,247</b>	<b>—</b>	<b>—</b>	<b>1,247</b>

The Group measured the fair value of its wealth management products based on alternative pricing sources and models utilizing market observable inputs and has classified those as level 2 measurement.

The Group’s financial liability based on Level 3 inputs consists of a contingent consideration arrangement related to the acquisition of BTC.com Pool Business. The Company is contractually obligated to pay contingent consideration payments to Blockchain Alliance Holding if BTC.com Pool Business realizes certain net profit.

The Group measures certain financial assets, including the investment under the measurement alternative method and equity method at fair value on a nonrecurring basis only if they were determined to be impaired. The Group’s non-financial assets, such as intangible assets, cryptocurrency assets, goodwill and property and equipment, would be measured at fair value when an impairment charge is recognized.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

24. SEGMENT REPORTING

The Group continually monitors the reportable segments for changes in facts and circumstances to determine whether changes in the identification or aggregation of operating segments are necessary. In December 2020, the Group announced the entrance into the cryptocurrency industry. As of December 31, 2021, the Group have completed the transformation of its business to become a cryptocurrency mining enterprise. In accordance with ASC topic 280, “Segment Reporting”, the Group’s chief operating decision maker has been identified as the Board of Directors and the chief executive officer, who makes resource allocation decisions and assesses performance based on the different business operating results instead of the previously geographic location operating results. As a result, the Group has three reportable segments, including the mining pool business, the data center business and the cryptocurrency mining. The Group’s other business, mainly consisting of online gaming in Europe, was not material for the year ended December 31, 2021.

The following table presents summary information by segment for continuing operations for the years ended December 31, 2019, 2020 and 2021, respectively.

	For the years ended December 31,		
	2019 US\$	2020 US\$	2021 US\$
<b>Reportable segment revenues:</b>			
Mining pool	—	—	1,275,106
Data center	—	—	11,825
Cryptocurrency mining	—	—	39,429
Others	5,161	2,167	2,516
Total segment and consolidated revenues	5,161	2,167	1,328,876
<b>Reportable segment cost of revenue-exclusive depreciation and amortization:</b>			
Mining pool	—	—	(1,279,757)
Data center	—	—	(9,909)
Cryptocurrency mining	—	—	(13,205)
Others	(7,663)	(1,787)	(1,667)
Total segment and consolidated cost of revenue-exclusive depreciation and amortization	(7,663)	(1,787)	(1,304,538)
<b>Reportable segment cost of revenue-depreciation and amortization:</b>			
Mining pool	—	—	(4,148)
Data center	—	—	(3,269)
Cryptocurrency mining	—	—	(11,354)
Others	(254)	(229)	(106)
Total segment and consolidated cost of revenue-depreciation and amortization	(254)	(229)	(18,877)
Total segment and consolidated cost	(7,917)	(2,016)	(1,323,415)
<b>Reconciling items:</b>			
Operating expenses	(24,580)	(17,419)	(29,569)
Other operating income	39	534	300
Government grant	34	21	—
Other operating expenses	(582)	(273)	(14,686)
Net loss on disposal of cryptocurrencies	—	—	6,717
Impairment of cryptocurrencies	—	—	(31,757)
Changes in fair value of derivative instrument	—	—	3,696
Impairment of property and equipment	—	—	(22,392)
Changes in fair value of contingent considerations	—	—	13,936
Impairment of intangible assets	(26,909)	—	(56)
Impairment of goodwill	(19,200)	—	—
<b>Operating loss</b>	<b>(73,954)</b>	<b>(16,986)</b>	<b>(68,350)</b>
Other income, net	—	42	594
Interest income	1,308	242	56
Interest expense	—	—	(775)
Loss from equity method investments	(1,915)	(1,865)	(1,184)
Gain on previously held equity interest	—	—	5,500
Impairment of long-term investments	(1,372)	(4,787)	—
Gain from disposal of subsidiaries	—	—	234
Income tax benefit	1,083	30	359
<b>Net loss</b>	<b>(74,850)</b>	<b>(23,324)</b>	<b>(63,566)</b>

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

25. SUBSEQUENT EVENTS

*Termination of the Online Lottery Business in Europe*

The Company is in the process of terminating its online lottery business in Europe which was operated under The Multi Group. As of December 31, 2021, TMG has ceased the business operation under Sweden e-Gaming license. Other business operations have been ceased in January 2022. As of the date of this report, the Company is in the process of surrendering all the e-Gaming licenses with the local authorities. Due to the expansion of the Company’s cryptocurrency mining business, the Company does not expect the termination of its online lottery business in Europe to have a material impact on its operational results or financial position.

*Loans entered by and made by the Company*

In January 2022, the Company, entered into a loan agreement and a pledge agreement for one year, pursuant to which the lender agreed to lend to the Company funds equal to 65% of the current fair market value (the “Loan-to-Value Ratio”) of 4,000 Ethererum, with a fixed interest rate of 3.25% per annum and 2% service fee. As of the date of this report, the loan principal obtained by the Company is US\$6.3 million.

From January to March 2022, the Company entered into loan agreements to lend approximately US\$7,028 to Bee Computing (HK) Limited, which conducted the project in research and development of cryptocurrency mining chips and mining machines.

26. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

The Company performed a test on the restricted net assets of the consolidated subsidiaries in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), “General Notes to Financial Statements” and concluded that it was applicable for the Company to disclose the financial information for the parent company only.

The subsidiaries did not pay any dividend to the Company for the periods presented. Certain information and note disclosures generally included in the financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The note disclosures contain supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

As of December 31, 2021, the Company did not have significant capital commitments and other significant commitments, or guarantees, except for those which have been separately disclosed in the consolidated financial statements.

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

26. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (continued)

The following is the condensed financial information of the Company on a parent company only basis.

*Condensed balance sheets*

	As of December 31, 2020 US\$	As of December 31, 2021 US\$
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	510	126
Cryptocurrency assets	—	17,068
Other current assets	1,291	44,362
Amounts due from intergroup companies	73,242	95,697
<b>Total current assets</b>	<b>75,043</b>	<b>157,253</b>
<b>Non-current assets:</b>		
Investment in subsidiaries and VIEs	(9,413)	38,981
Intangible assets, net	—	140
<b>Total non-current assets</b>	<b>(9,413)</b>	<b>39,121</b>
<b>TOTAL ASSETS</b>	<b>65,630</b>	<b>196,374</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accrued payroll and welfare payable	129	73
Accrued expenses and other liabilities	1,035	3,531
Amounts due to intergroup companies	2,633	10,993
<b>Total current liabilities</b>	<b>3,797</b>	<b>14,597</b>
<b>TOTAL LIABILITIES</b>	<b>3,797</b>	<b>14,597</b>
<b>Shareholders' equity:</b>		
Class A ordinary shares, par value US\$0.00005 per share, 700,000,000 and 1,599,935,000 shares authorized as of December 31, 2020 and December 31, 2021, respectively; 430,127,692 and 710,078,070 shares issued and outstanding as of December 31, 2020 and December 31, 2021, respectively	22	36
Class A preference shares, par value US\$0.00005 per share; 0 and 65,000 shares authorized as of December 31, 2020 and December 31, 2021; 0 and 65,000 shares issued and outstanding as of December 31, 2020 and December 31, 2021, respectively	—	—
Class B ordinary shares, par value US\$0.00005 per share; 300,000,000 and 400,000,000 shares authorized as of December 31, 2020 and December 31, 2021, respectively; 99 shares issued and outstanding as of December 31, 2020 and December 31, 2021	—	—
Additional paid-in capital	412,364	590,567
Treasury shares	(21,604)	(21,604)
Accumulated other comprehensive loss	(4,598)	(2,355)
Accumulated deficit and statutory reserve	(324,351)	(384,867)
<b>Total shareholder's equity</b>	<b>61,833</b>	<b>181,777</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>65,630</b>	<b>196,374</b>



BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

26. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (continued)

*Condensed statements of comprehensive loss*

	For the years ended December 31,		
	2019	2020	2021
	US\$	US\$	US\$
<b>Revenues</b>	—	—	39,414
<b>Operating costs and expenses:</b>			
Cost of revenue	—	—	(6,279)
Sales and marketing	(8)	(4)	(244)
General and administrative	(4,270)	(8,347)	(8,047)
<b>Total operating costs and expenses</b>	<u>(4,278)</u>	<u>(8,351)</u>	<u>(14,570)</u>
Net loss on disposal of cryptocurrencies	—	—	(7,381)
Impairment of cryptocurrency assets	—	—	(3,637)
<b>Operating profit (loss)</b>	<u>(4,278)</u>	<u>(8,351)</u>	<u>13,826</u>
Interest income	18	34	9
Interest expense	—	—	(708)
Equity in loss of subsidiaries and VIEs	(90,161)	(24,095)	(73,643)
<b>Loss before income tax</b>	<u>(94,421)</u>	<u>(32,412)</u>	<u>(60,516)</u>
<b>Net loss</b>	<u>(94,421)</u>	<u>(32,412)</u>	<u>(60,516)</u>
Other comprehensive (loss) income			
Foreign currency translation (loss) gain	(192)	2,316	1,481
Reclassification into loss of loss from equity method investments	—	—	131
Share of other comprehensive (loss) income from an equity method investee	<u>(578)</u>	<u>(177)</u>	<u>631</u>
<b>Comprehensive loss</b>	<u>(95,191)</u>	<u>(30,273)</u>	<u>(58,273)</u>

*Condensed statements of cash flows*

	For the years ended December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Net cash used in operating activities	(4,266)	(2,606)	(135,484)
Net cash (used in) provided by investing activities	(8,365)	(1,842)	33,227
Net cash provided by financing activities	11,710	4,081	101,873
Net decrease in cash and cash equivalents	(921)	(367)	(384)
Cash and cash equivalents at beginning of the year	<u>1,798</u>	<u>877</u>	<u>510</u>
Cash and cash equivalents at end of the year	<u>877</u>	<u>510</u>	<u>126</u>

BIT MINING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in thousands of Renminbi (“RMB”), United States dollars (“US\$”), Hong Kong dollars (“HKD”) and EUR, except for number of shares and per share (or ADS) data)

26. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (continued)

*Basis of presentation*

Condensed financial information is used for the presentation of the Company, or the parent company. The condensed financial information of the parent company has been prepared using the same accounting policies as set out in the Group’s consolidated financial statements except that the parent company used the equity method to account for its investment in its subsidiaries and the former VIEs.

The parent company records its investment in its subsidiaries and the former VIEs under the equity method of accounting as prescribed in ASC 323, “*Investments-Equity Method and Joint Ventures*”. Such investments are presented on the condensed balance sheets as “Investment in subsidiaries and VIEs” and their respective profit or loss as “Equity in profits (losses) of subsidiaries and VIEs” on the condensed statements of comprehensive income (loss). Equity method accounting ceases when the carrying amount of the investment, including any additional financial support, in a subsidiary and VIEs is reduced to zero unless the parent company has guaranteed obligations of the subsidiary and VIEs or is otherwise committed to provide further financial support. If the subsidiary and VIEs subsequently reports net income, the parent company shall resume applying the equity method only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The parent company’s condensed financial information should be read in conjunction with the Group’s consolidated financial statements.

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

As of December 31, 2021, BIT Mining Limited (the "company", "we", "us" and "our") had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

<u>Title of each class</u>	<u>Trade symbol</u>	<u>Name of each exchange on which registered</u>
Class A ordinary shares, par value US\$0.00005 per share*	BTCM	New York Stock Exchange
American depositary shares, each representing ten Class A ordinary shares		

\* Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares.

**Description of Ordinary Shares (Items 9.A.3, 9.A.5, 9.A.6, 9.A.7, 10.B.3, 10.B.4, 10.B.6, 10.B.7, 10.B.8, 10.B.9 and 10.B.10 of Form 20-F)**

***General***

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, and the Companies Act (as amended) of the Cayman Islands, which is referred to as the Companies Act below.

Each Class A ordinary share of our company has par value of US\$0.00005 per share. The number of Class A ordinary shares that had been issued as of December 31, 2021 is provided on the cover of our annual report on Form 20-F for the year ended December 31, 2021.

Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Our ordinary shares are issued in registered form and are issued when registered in our register of members. We may not issue shares to bearer.

***Register of Members***

Under Cayman Islands law, we must keep a register of members and there shall be entered therein:

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

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

### ***Dividends***

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors.

### ***Voting Rights***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote on a show of hands, and on a poll (i) every shareholder holding Class A ordinary shares present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly appointed representative) shall have one vote for each fully paid Class A ordinary share of which such shareholder is the holder and (ii) every shareholder holding Class B ordinary shares present in person or by proxy (or in the case of a shareholder being a corporation, by its duly appointed representative) shall have 10 votes for each fully paid Class B ordinary share of which such shareholder is the holder. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy holding at least one-tenth of the paid-up shares given a right to vote at the meeting or one-tenth of the total voting rights entitled to vote at the meeting, present in person or by proxy.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than three-fourths of votes attached to the ordinary shares cast in a general meeting. A special resolution is required for important matters such as a change of name or making changes to our memorandum and articles of association.

### ***Transfer of Ordinary Shares***

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

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which our company has a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- the ordinary shares transferred are fully paid and free of any lien in favor of us;

- any fee related to the transfer has been paid to us;
- the transfer is not to more than four joint holders; and
- a fee of such maximum sum as the New York Stock Exchange, or the NYSE, may determine to be payable, or such lesser sum as our board of directors may from time to time require, is paid to our company in respect thereof.

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

*General Meetings and Shareholder Proposals.* As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors. We, however, hold an annual shareholders' meeting during each fiscal year, as required by the rules of the NYSE.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association allow our shareholders holding not less than one-third of our voting share capital to requisition an extraordinary general meeting of the shareholders, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

A quorum required for a meeting of shareholders consists of at least one shareholder present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, who collectively hold no less than one-third of our voting share capital. Advance notice of at least 14 days is required for the convening of our annual general meeting and other shareholders' meetings.

### ***Liquidation***

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

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

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

### ***Redemption of Ordinary Shares***

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders, on such terms and in such manner, including out of capital, as may be determined by the board of directors or by a special resolution of our shareholders.

### ***Variations of Rights of Shares***

If at any time, our share capital is divided into different classes of shares, all or any of the rights attached to any class of shares may, be materially adversely varied or abrogated with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class or with the consent in writing of the holders of not less than three-fourths of the issued shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a majority of three-fourths of the vote of all of the shares in that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be materially adversely varied or abrogated by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

### ***General Meetings of Shareholders***

Shareholders' meetings may be convened by a majority of our board of directors or our chairman. Additionally, on the requisition of shareholders holding not less than one-third of our voting share capital, the board shall convene an extraordinary general meeting. Advance notice of at least 14 days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than one-third in nominal value of the total issued voting shares in our company.

### ***Election and Removal of Directors***

Unless otherwise determined by the Company in the general meeting, our articles provide that our board consists of not less than two directors. There are no provisions relating to retirement of directors upon reaching any age limit.

The directors have the power to appoint any person as a director either to fill a casual vacancy on the board or as an addition to the existing board, subject to our company's compliance with director nomination procedures required under the NYSE Rules, as long as our shares or American Depositary Shares, or ADSs, are listed on the NYSE, and provided that any candidate for the appointment must be nominated by the nominating and corporate governance committee of our board of directors.

Our articles provide that persons standing for election as directors at a duly constituted general meeting with requisite quorum are appointed by shareholders by a simple majority of the votes cast on the resolution.

A director may be removed with or without cause by a shareholder resolution which has been passed by at least a simple majority of the votes cast by the shareholders having a right to attend and vote at such meeting.

### ***Proceedings of Board of Directors***

Our articles provide that our business is to be managed and conducted by our board of directors. The quorum necessary for the board meeting may be fixed by the board and, unless so fixed at another number, will be a majority of the directors.

Our articles provide that the board may from time to time at its discretion exercise all powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, issue debentures, debenture stock and

other securities of the Company whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

### ***Inspection of Books and Records***

Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we in our articles provide our directors the power to allow our shareholders to inspect our list of shareholders and to receive annual audited financial statements.

### ***Changes in Capital***

We may from time to time by ordinary resolution:

- increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount than that fixed by our Memorandum of Association, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

Subject to the Companies Act, we may by special resolution reduce our share capital or any capital redemption reserve in any manner permitted by law.

### ***Issuance of Additional Ordinary Shares and Preferred Shares***

- Our amended and restated memorandum and articles of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.
- Our amended and restated memorandum and articles of association authorizes our board of directors to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:
  - the designation of the series;
  - the number of shares of the series;
  - the dividend rights, dividend rates, conversion rights, voting rights; and
  - the rights and terms of redemption and liquidation preferences.

- Our board of directors may issue preferred shares without action by our shareholders to the extent authorized but unissued. In addition, the issuance of preferred shares may be used as an anti-takeover device without further action on the part of the shareholders. Issuance of these shares may dilute the voting power of holders of ordinary shares.

### **Conversion Rights Attaching to the Shares**

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible under any circumstances.

### **Difference Between Class A and Class B Ordinary Shares**

The difference between the Class A ordinary shares and Class B ordinary shares are the special voting and conversion rights attached to the Class B ordinary shares as disclosed above.

### **Exempted Company**

We are an exempted company with limited liability under the Companies Act of the Cayman Islands. The Companies Act in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount, if any, unpaid by the shareholder on the shares of the company, provided that the memorandum and articles of association contains a declaration that the liability of the member is so limited. We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. Except as otherwise disclosed in this prospectus, we currently intend to continue to comply with the NYSE rules in lieu of following home country practice. The NYSE rules require that every company listed on NYSE hold an annual general meeting of shareholders. In addition, our articles of association allow directors to call an extraordinary general meeting of shareholders pursuant to the procedures set forth in our articles.

### **Differences in Corporate Law**



The Companies Act is modeled after that of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States.

### ***Mergers and Similar Arrangements***

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors (representing 75% by value) with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An

objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

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

### ***Shareholders' Suits***

Generally legal proceedings can be originated in the Grand Court of the Cayman Islands. In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected to apply and follow the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) which permit a minority shareholder to commence a class action against, or derivative actions in the name of, a company to challenge:

- an act which is illegal or *ultra vires*;
- an action which requires a resolution with a qualified or special majority which has not been obtained; and
- an act which constitutes a fraud on the minority where the wrongdoers are themselves in control of the company.

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

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty, willful default or fraud which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

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

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

Some provisions of our memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

### ***Directors' Fiduciary Duties***

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act *bona fide* in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

### ***Shareholder Action by Written Consent***

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

### ***Shareholder Proposals***

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Memorandum and Articles allow our shareholders holding not less than one-third of our voting share capital to requisition a special meeting of the shareholders, in which case the directors are obliged to call such meeting and to put the resolutions

so requisitioned to a vote at such meeting; however, our Memorandum and Articles do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our Memorandum and Articles provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors. We, however, hold an annual shareholders' meeting during each fiscal year, as required by NYSE rules.

### ***Cumulative Voting***

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

### ***Removal of Directors***

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our articles of association, directors may be removed by ordinary resolution.

### ***Transactions with Interested Shareholders***

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

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

### ***Dissolution; Winding Up***

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

Under the Companies Act of the Cayman Islands and our memorandum and articles of association, our company may be dissolved, liquidated or wound up by special resolution, or by an ordinary resolution on the basis that our company is unable to pay its debt as they become due.

#### ***Variation of Rights of Shares***

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

#### ***Amendment of Governing Documents***

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under the Companies Act, our memorandum and articles of association may only be amended by special resolution or the unanimous written resolution of all shareholders.

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

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

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

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

#### ***Inspection of Books and Records***

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, our directors are empowered to allow our shareholders to inspect our list of shareholders and to receive annual audited financial statements.

#### **Description of Debt Securities, Warrants and Rights and Other Securities (Items 12.A, 12.B and 12.C of Form 20-F)**

None.

## **Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)**

Deutsche Bank Trust Company Americas, as depositary, registers and delivers the ADSs. Each ADS represents ownership of 10 Class A ordinary shares deposited with the office in Hong Kong of Deutsche Bank AG, Hong Kong Branch, as custodian for the depositary. Each ADS also represents ownership of any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs are administered is located at 60 Wall Street, New York, NY 10005, USA. The principal executive office of the depositary is located at 60 Wall Street, New York, NY 10005, USA.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

We do not treat ADS holders as our shareholders and accordingly, you, as an ADS holder, do not have shareholder rights. Cayman Islands law governs shareholder rights. The depositary is the holder of the ordinary shares underlying your ADSs. As a holder of ADSs, you have ADS holder rights. A deposit agreement among us, the depositary and you, as an ADS holder, and the beneficial owners of ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt.

### **Holding the ADSs**

#### ***How will you hold your ADSs?***

You may hold ADSs either (1) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (b) by holding ADSs in DRS, or (2) indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

### **Dividends and Other Distributions**

#### ***How will you receive dividends and other distributions on the shares?***

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent as of the record date (which will be as close as practicable to the record date for our ordinary shares) set by the depositary with respect to the ADSs.

- **Cash.** The depositary will convert any cash dividend or other cash distribution we pay on the ordinary shares or any net proceeds from the sale of any ordinary shares, rights, securities or other entitlements into U.S. dollars if it can do so on a reasonable basis, and can transfer the U.S. dollars to the United States. If that is not possible or lawful or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid and such funds will be held in a segregated account. It will not invest the foreign currency and it will not be liable for any interest.
- Before making a distribution, any taxes or other governmental charges, together with fees and expenses of the depositary, that must be paid, will be deducted. See “Taxation.” It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.*
- **Shares.** The depositary may distribute additional ADSs representing any ordinary shares we distribute as a dividend or free distribution to the extent reasonably practicable and permissible under law. The depositary will only distribute whole ADSs. It will try to sell ordinary shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new ordinary shares. The depositary may sell a portion of the distributed ordinary shares sufficient to pay its fees and expenses in connection with that distribution.
- **Elective Distributions in Cash or Shares.** If we offer holders of our ordinary shares the option to receive dividends in either cash or shares, the depositary, after consultation with us and having received timely notice as described in the deposit agreement of such elective distribution by us, has discretion to determine to what extent such elective distribution will be made available to you as a holder of the ADSs. We must first instruct the depositary to make such elective distribution available to you and furnish it with satisfactory evidence that it is legal to do so. The depositary could decide it is not legal or reasonably practical to make such elective distribution available to you, or it could decide that it is only legal or reasonably practical to make such elective distribution available to some but not all holders of the ADSs. In such case, the depositary shall, on the basis of the same determination as is made in respect of the ordinary shares for which no election is made, distribute either cash in the same way as it does in a cash distribution, or additional ADSs representing ordinary shares in the same way as it does in a share distribution. The depositary is not obligated to make available to you a method to receive the elective dividend in shares rather than in ADSs. There can be no assurance that you will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of ordinary shares.
- **Rights to Purchase Additional Shares.** If we offer holders of our ordinary shares any rights to subscribe for additional shares or any other rights, the depositary may after consultation with us and having received timely notice as described in the deposit agreement of such distribution by us, make these rights available to you. We must first instruct the depositary to make such rights available to you and furnish the depositary with satisfactory evidence that it is legal to do so. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the net proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If the depositary makes rights available to you, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to you. It

will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depository may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

- **Other Distributions.** Subject to receipt of timely notice, as described in the deposit agreement, from us with the request to make any such distribution available to you, and provided the depository has determined such distribution is lawful and reasonably practicable and feasible and in accordance with the terms of the deposit agreement, the depository will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depository has a choice: it may decide to sell what we distributed and distribute the net proceeds in the same way as it does with cash; or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depository is not required to distribute any securities (other than ADSs) to you unless it receives satisfactory evidence from us that it is legal to make that distribution. The depository may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The depository is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

## **Deposit, Withdrawal and Cancellation**

### ***How are ADSs issued?***

The depository will deliver ADSs if you or your broker deposit ordinary shares or evidence of rights to receive ordinary shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depository will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons entitled thereto.

### ***How do ADS holders cancel an American Depositary Share?***

You may turn in your ADSs at the depository's corporate trust office or by providing appropriate instructions to your broker. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depository will deliver the ordinary shares and any other deposited securities underlying the ADSs to you or a person you designate at the office of the custodian. Or, at your request, risk and expense, the depository will deliver the deposited securities at its corporate trust office, if feasible.

### ***How do ADS holders interchange between Certificated ADSs and Uncertificated ADSs?***

You may surrender your ADR to the depository for the purpose of exchanging your ADR for uncertificated ADSs. The depository will cancel that ADR and will send you a statement confirming that you are the owner of uncertificated ADSs. Alternatively, upon receipt by the depository of a proper



instruction from a holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to you an ADR evidencing those ADSs.

## **Voting Rights**

### ***How do you vote?***

You may instruct the depositary to vote the ordinary shares or other deposited securities underlying your ADSs. *Otherwise, you could exercise your right to vote directly if you withdraw the ordinary shares. However, you may not know about the meeting sufficiently enough in advance to withdraw the ordinary shares.*

If we ask for your instructions and upon timely notice from us, as described in the deposit agreement, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. The materials will (1) describe the matters to be voted on and (2) explain how you may instruct the depositary to vote the ordinary shares or other deposited securities underlying your ADSs as you direct, including an express indication that such instruction may be given or deemed given in accordance with the second to last sentence of this paragraph if no instruction is received, to the depositary to give a discretionary proxy to a person designated by us. For instructions to be valid, the depositary must receive them on or before the date specified. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our memorandum and articles of association, to vote or to have its agents vote the ordinary shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. If we timely requested the depositary to solicit your instructions but no instructions are received by the depositary from an owner with respect to any of the deposited securities represented by the ADSs of that owner on or before the date established by the depositary for such purpose, the depositary shall deem that owner to have instructed the depositary to give a discretionary proxy to a person designated by us with respect to such deposited securities, and the depositary shall give a discretionary proxy to a person designated by us to vote such deposited securities. However, no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter if we inform the depositary we do not wish such proxy given, substantial opposition exists or the matter materially and adversely affects the rights of holders of the ordinary shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the ordinary shares underlying your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise your right to vote and you may have no recourse if the ordinary shares underlying your ADSs are not voted as you requested.*

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited securities, if we request the depositary to act, we will try to give the depositary notice of any such meeting and details concerning the matters to be voted upon more than 30 business days in advance of the meeting date.

## **Fees and Expenses**

As an ADS holder, you will be required to pay the following service fees to the depositary bank:

<b>Service</b>	<b>Fees</b>
· Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property	Up to US\$0.05 per ADS issued

· Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US\$0.05 per ADS cancelled
· Distribution of cash dividends or other cash distributions	Up to US\$0.05 per ADS held
· Distribution of ADSs pursuant to share dividends, free share distributions or exercise of rights.	Up to US\$0.05 per ADS held
· Distribution of securities other than ADSs or rights to purchase additional ADSs	A fee equivalent to the fee that would be payable if securities distributed to you had been ordinary shares and the ordinary shares had been deposited for issuance of ADSs
· Depository services	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depository bank
· Transfer of ADRs	U.S. \$1.50 per certificate presented for transfer

As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depository bank and certain taxes and governmental charges such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.
- Any applicable fees and penalties thereon.

The depository fees payable upon the issuance and cancellation of ADSs are typically paid to the depository bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository bank and by the brokers (on behalf of their clients) delivering the ADSs to the depository bank for cancellation. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Deutsche Bank Trust Company Americas, as depositary, has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time.

### **Payment of Taxes**

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any net proceeds, or send to you any property, remaining after it has paid the taxes. You agree to indemnify us, the depositary, the custodian and each of our and their respective agents, directors, employees and affiliates for, and hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for you.

### **Reclassifications, Recapitalizations and Mergers**

#### **If we:**

Change the nominal or par value of our ordinary shares

Reclassify, split up or consolidate any of the deposited securities

#### **Then:**

The cash, shares or other securities received by the depositary will become deposited securities.

Each ADS will automatically represent its equal share of the new deposited securities.

Distribute securities on the ordinary shares that are not distributed to you

or

Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action

The depositary may distribute some or all of the cash, shares or other securities it received. It may also deliver new ADSs or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

## **Amendment and Termination**

### ***How may the deposit agreement be amended?***

We may agree with the depositary to amend the deposit agreement and the form of ADR without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, including expenses incurred in connection with foreign exchange control regulations and other charges specifically payable by ADS holders under the deposit agreement, or materially prejudices a substantial existing right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.*

### ***How may the deposit agreement be terminated?***

The depositary will terminate the deposit agreement if we ask it to do so, in which case the depositary will give notice to you at least 90 days prior to termination. The depositary may also terminate the deposit agreement if the depositary has told us that it would like to resign and we have not appointed a new depositary within 90 days. In such case, the depositary must notify you at least 30 days before termination.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property and deliver ordinary shares and other deposited securities upon cancellation of ADSs after payment of any fees, charges, taxes or other governmental charges. Six months or more after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, for the *pro rata* benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination, our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

## **Books of Depositary**

The depositary maintains ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary maintains facilities in New York to record and process the issuance, cancellation, combination, split-up and transfer of ADRs.

These facilities may be closed from time to time, to the extent not prohibited by law or if any such action is deemed necessary or advisable by the depositary or us, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any

securities exchange on which the ADRs or ADSs are listed, or under any provision of the deposit agreement or provisions of, or governing, the deposited securities, or any meeting of our shareholders or for any other reason.

## **Limitations on Obligations and Liability**

### ***Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs***

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without gross negligence or willful misconduct;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement, including, without limitation, requirements of any present or future law, regulation, governmental or regulatory authority or share exchange of any applicable jurisdiction, any present or future provisions of our memorandum and articles of association, on account of possible civil or criminal penalties or restraint, any provisions of or governing the deposited securities or any act of God, war or other circumstances beyond our control as set forth in the deposit agreement;
- are not liable if either of us exercises, or fails to exercise, discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any indirect, special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party;
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party;
- disclaim any liability for any action/inaction in reliance on the advice or information of legal counsel, accountants, any person presenting ordinary shares for deposit, holders and beneficial owners (or authorized representatives) of ADSs, or any person believed in good faith to be competent to give such advice or information;
- disclaim any liability for inability of any holder to benefit from any distribution, offering, right or other benefit made available to holders of deposited securities but not made available to holders of ADSs; and
- disclaim any liability for any indirect, special, punitive or consequential damages.

The depositary and any of its agents also disclaim any liability for any failure to carry out any instructions to vote, the manner in which any vote is cast or the effect of any vote or failure to determine that any distribution or action may be lawful or reasonably practicable or for allowing any rights to lapse in accordance with the provisions of the deposit agreement, the failure or timeliness of any notice from us, the content of any information submitted to it by us for distribution to you or for any inaccuracy of any translation thereof, any investment risk associated with the acquisition of an interest in the deposited

securities, the validity or worth of the deposited securities, the credit-worthiness of any third party, or for any tax consequences that may result from ownership of ADSs, ordinary shares or deposited securities.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

### **Requirements for Depositary Actions**

Before the depositary will issue, deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of ordinary shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any ordinary shares or other deposited securities and payment of the applicable fees, expenses and charges of the depositary;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to issue and deliver ADSs or register transfers of ADSs generally when the register of the depositary or our transfer books are closed or at any time if the depositary or we think it is necessary or advisable to do so.

### **Your Right to Receive the Shares Underlying Your ADSs**

You have the right to cancel your ADSs and withdraw the underlying ordinary shares at any time except:

- when temporary delays arise because: (1) the depositary has closed its transfer books or we have closed our transfer books; (2) the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on our ordinary shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

### **Pre-release of ADSs**

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying ordinary shares. This is called a pre-release of the ADSs. The depositary may also deliver ordinary shares upon cancellation of pre-released ADSs (even if the ADSs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying ordinary shares are delivered to the depositary. The depositary may receive ADSs instead of ordinary shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer (a) owns the ordinary shares or ADSs to be deposited, (b) assigns all beneficial rights, title and interest in such ordinary shares or ADSs to the depositary for the benefit of the owners, (c) will not take

any action with respect to such ordinary shares or ADSs that is inconsistent with the transfer of beneficial ownership, (d) indicates the depositary as owner of such ordinary shares or ADSs in its records, and (e) unconditionally guarantees to deliver such ordinary shares or ADSs to the depositary or the custodian, as the case may be; (2) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; and (3) the depositary must be able to close out the pre-release on not more than five business days' notice. Each pre-release is subject to further indemnities and credit regulations as the depositary considers appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release to 30% of the aggregate number of ADSs then outstanding, although the depositary may disregard the limit from time to time, if it thinks it is appropriate to do so, including (1) due to a decrease in the aggregate number of ADSs outstanding that causes existing pre-release transactions to temporarily exceed the limit stated above or (2) where otherwise required by market conditions.

### **Direct Registration System**

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register such transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on, and compliance with, instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depositary.

**MEMBERSHIP INTEREST PURCHASE AGREEMENT**

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT (this “**Agreement**”), dated as of September 22, 2021 (the “**Effective Date**”), is entered into by and among Viking Data Centers LLC, a Delaware limited liability company (“**Seller**”), and BIT Mining Limited, a Cayman Islands exempted limited liability company (“**Purchaser**”), and is acknowledged and agreed to by Asgard Data Centers LLC, a Delaware limited liability company (“**Company**”), DAS Factory, LLC, a Delaware limited liability company (“**DAS**”), and Viking Real Estate Holdings LLC, a Delaware limited liability company (“**Viking Real Estate**,” and together with Seller, Company and DAS, collectively, the “**Warrantors**,” and each a “**Warrantor**”). Capitalized terms used but not defined herein have the meanings set forth in the LLC Agreement (as defined below).

**RECITALS**

A. Seller owns 100,000 Class A Units of Company, representing all of the outstanding equity interests of Company as of the date hereof.

B. DAS, Seller, Viking Real Estate, Purchaser and Company are entering into a series of related transactions regarding the development and operation of a high-performance computing data center on a property located at 428 Seiberling Street, Akron, Ohio 44306 (the “**Property**”).

C. The business of Company (the “**Business**”) shall primarily be to construct and develop a high-performance computing data center on the Property, and thereafter operate a data center and colocation business at such data center, all in order to increase the profitability of Company and maximize Seller and Purchaser value.

D. In connection with the transactions described above, Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, 51,000 Class A Units of Company (the “**Purchased Units**”), with Seller retaining 49,000 Class A Units of Company (the “**Transaction**”).

**AGREEMENT**

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, and for the consideration set forth herein, the receipt and sufficiency of which is hereby acknowledged by the parties, Purchaser and Seller hereby agree as follows:

**ARTICLE I  
DEFINITIONS**

In addition to the terms defined elsewhere in this Agreement, the terms below shall have the following meanings. Any of such terms, unless the context otherwise requires, may be used in the singular or plural, depending upon the reference.

“**Completion**” with respect to a given amount of Megawatts shall mean that Seller has made available Megawatt Space with exclusive access to a cumulative number of Megawatts at least equal to ninety percent (90%) of the specified number of Megawatts, and the Electrical Testing Inspection has passed with respect thereto.

“**Completion Certificate**” means a written certification from Seller to Company in the form of Exhibit A attached hereto, whereby Seller certifies the Completion of a given amount of Megawatt Space.



“**Contract**” means any agreement, contract, obligation, promise, or undertaking (whether written or oral and whether express or implied) that is legally binding.

“**Electrical Testing**” means, with respect to a Megawatt Space, the testing of all Outlets in such Megawatt Space using commercially available electrical testing equipment that is capable of testing for electrical ratings under the standards of the NEC.

“**Electrical Testing Inspection**” means the Electrical Testing for an available Megawatt Space pursuant to the inspection procedures set forth in Exhibit B of this Agreement.

“**Environmental Law**” shall mean any Law or governmental regulation relating to (a) the protection, preservation or restoration of the environment (including, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource); (b) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of, any hazardous substances; or (c) safety issues (including human and occupational safety and health), in each case as amended and as in effect on the date hereof.

“**Environmental Permit**” shall mean any permit, license, review, certification, approval, registration, consent or other authorization issued pursuant to applicable Environmental Laws.

“**Governmental Entity**” means any government, governmental department, commission, board, bureau, agency, court or other instrumentality, whether foreign or domestic, of any country, nation, republic, federation or similar entity or any state, province, county, parish or municipality, jurisdiction or other political subdivision thereof.

“**Laws**” means all applicable federal, state, provincial, local, or non-U.S. laws, statutes, rules, regulations, ordinances, directives, guidelines, judgments, orders (judicial or administrative), decrees, injunctions and writs of any Governmental Entity or any similar provisions having the force or effect of law.

“**Lien**” means any charge, claim, community property interest, mortgage, pledge, condition, hypothecation, equitable interest, lien (statutory or otherwise), preference, priority, option, security agreement, easement, encroachment, right of way, covenant, right of first refusal, restriction or other encumbrance of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any lease having substantially the same effect as any of the foregoing and any assignment or deposit arrangement in the nature of a security device).

“**Megawatt**” means one million watts of electrical power.

“**Megawatt Space**” means dedicated co-location space at the Property with exclusive access to a specified number of Megawatts.

“**NEC**” means the most recent edition of the National Electrical Code adopted for the region covering Akron, Ohio.

“**Order**” means any order, injunction, judgment, decree, ruling, or award of any Governmental Entity or arbitrator.

“**Organizational Documents**” means (a) the articles or certificate of incorporation or formation and the bylaws of a corporation; (b) the articles or certificate of formation, incorporation or organization

and limited liability company agreement, operating agreement, or like agreement of a limited liability company; (c) the partnership agreement and any statement of partnership of a general partnership; (d) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (e) any charter or agreement or similar document adopted or filed in connection with the creation, formation, or organization of a Person; and (f) any amendment to or restatement of any of the foregoing.

“**Outlet**” means an energized 20 amp 240 volt C20 outlet located within a Megawatt Space.

“**Penalty Amount**” means an amount that is initially equal to Zero Dollars (\$0.00) but may be increased from time to time (but not decreased) in accordance with Section 2.1(f).

“**Person**” means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or any Governmental Entity.

“**Tax**” (and, with correlative meaning, “**Taxes**,” “**Taxable**” and “**Taxing**”) means any net or gross income, net or gross receipts, net or gross proceeds, capital gains, capital stock, sales, use, user, leasing, lease, transfer, natural resources, premium, ad valorem, value added, franchise, profits, gaming, license, capital, withholding, payroll or other employment, estimated, goods and services, severance, excise, stamp, fuel, interest equalization, registration, recording, occupation, premium, turnover, personal property (tangible and intangible), real property, unclaimed or abandoned property, alternative or add-on, windfall or excess profits, environmental, social security, disability, unemployment or other tax or customs duties or amount imposed by (or otherwise payable to) any Governmental Entity, or any interest, any penalties, additions to tax or additional amounts assessed, imposed, or otherwise due or payable under applicable Laws with respect to taxes, in each case, whether disputed or not.

“**To Warrantors’ knowledge**” or “**to the knowledge of Warrantors**,” or similar words, shall mean the actual knowledge after due inquiry of any member of the executive committee, management or similar governing body of each of the Warrantors.

## ARTICLE II PURCHASE AND SALE OF THE PURCHASED UNITS

### 2.1 Purchase and Sale; Installment Payments.

(a) Purchase and Sale; Closing. Pursuant to the terms and conditions of this Agreement, and in reliance on the representations, warranties, agreements and indemnities set forth in this Agreement, at the Closing (as defined below), Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, all right, title and interest to the Purchased Units, free and clear of any and all Liens other than Liens that are created by Purchaser. The purchase and sale of the Purchased Units shall take place remotely via the exchange of documents and signatures, at 11:59 p.m. New York City time on the Effective Date, or at such other time and place as Seller and Purchaser mutually agree upon, orally or in writing (which time and place are designated as the “**Closing**”). At the Closing, Purchaser shall become a Member of Company by executing and delivering a signature page to the limited liability company agreement of Company in the form and substance acceptable to Purchaser, attached hereto as Exhibit C (the “**LLC Agreement**”).

(b) Purchase Price; Installment Payments. On the terms and subject to the conditions set forth herein, the aggregate consideration (the “**Purchase Price**”) to be paid by Purchaser to Seller for the Purchased Units will be (i) cash amounts aggregating Ten Million Eight Hundred Thirty-Seven Thousand Five Hundred Dollars (\$10,837,500) (the “**Cash Payments**”), which Cash Payments shall be paid by wire transfer of immediately available funds to Seller at the account designated in writing by Seller

and (ii) the issuance of 1,138,790 Class A ordinary shares of Purchaser (the “**Purchaser Shares**”); provided that Purchaser may elect to pay One Million Three Hundred Thousand Five Hundred Dollars (\$1,300,500) as additional Cash Payments to Seller in lieu of issuing the Purchaser’s Shares in the event that Purchaser determines, in accordance with the written advice of its outside legal counsel, that the issuance of such Purchaser Shares would cause Purchaser or its affiliates to violate applicable securities laws or breach binding “lock-up” obligations in force as of the Effective Date (which determination and legal advice shall be certified in writing by Purchaser to Seller at the time of such election). The Purchase Price shall be paid by Purchaser to Seller in the installments described on Exhibit D subject to and upon the satisfaction of the conditions to payment as described on such Exhibit D (each an “**Installment**” and the date such Installment is due as described on Exhibit D, such Installment’s “**Installment Date**”). Notwithstanding the fact that the payment of the Purchase Price shall become due in multiple installments, Seller hereby acknowledges and agrees that full and complete ownership of the Purchased Units has been fully transferred to and held by Purchase at the Closing and, following the Closing, Seller has no further right, title or entitlement to any interest in respect of the Purchased Units other than the Repurchase Option (as defined below).

(c) Use of Proceeds. The Cash Payments shall be used exclusively in connection with the development of the Megawatt Space, and the necessary portion of VDC Facility (as defined in that certain Crypto Mining Facility and Facilitation Agreement, dated the Effective Date, by and between Seller and the Company (the “**CFFA**”)) in support of the development of the Megawatt Space, unless otherwise agreed to in writing by Seller and Purchaser in advance.

(d) Closing Deliveries.

(i) at the Closing, Purchaser shall deliver, or shall cause to be delivered:

(1) \$1,000,000 in Cash Payments by wire transfer of immediately available funds to Seller to the account designated in writing by Seller; and

(2) the LLC Agreement, duly executed by Purchaser.

(ii) at the Closing, Warrantors shall deliver, or shall cause to be delivered:

(1) a mine design scheme acceptable to Seller and Purchaser (the “**Mine Design Scheme**”);

(2) a copy of the power design of the entire 85 Megawatt Space acceptable to Seller and Purchaser (the “**Power Design**”);

(3) the LLC Agreement, duly executed by Seller and Company;

(4) an assignment agreement for the assignment and transfer from DAS to Seller of certain contracts, assets, and equipment, which are as listed under Exhibit A thereto, in substantially the form attached hereto as Exhibit E (the “**DAS Assignment**”), duly executed by DAS and Seller;

(5) an assignment agreement for the assignment and transfer from Seller to Company of certain assets and equipment, which are as listed under Exhibit A thereto, in substantially the form attached hereto as Exhibit F (the “**Seller Assignment**”), duly executed by Seller and Company;

(6) the CFFA, in substantially the form attached hereto as Exhibit G, duly executed by Seller and Company; and

(7) Information reasonably satisfactory to Purchaser regarding Company's strategy to obtain 85 Megawatts of electric power at an annual average unit price of no greater than \$0.038/KWH (the "**Power Strategy**").

(e) Completion. Seller agrees and undertakes that it shall use its best efforts to procure the occurrence of (i) the Completion of eleven (11) Megawatts on or before October 15, 2021 (the "**First Construction Milestone**"), (ii) the Completion of fifty (50) Megawatts on or before November 15, 2021 (the "**Second Construction Milestone**"), and (iii) the Completion of eighty-five (85) Megawatts on or before February 15, 2022 (the "**Third Construction Milestone**," and together with the First Construction Milestone, and the Second Construction Milestone, collectively the "**Construction Milestones**" and the date of each Construction Milestone, the "**Milestone Date**" for such Construction Milestone). Seller further undertakes that it will deliver a Completion Certificate with respect to each Construction Milestone described in the foregoing sentence on or prior to the Milestone Date.

(f) Penalty Amount. In the event that a Completion does not occur on or before the applicable Milestone Date specified in Section 2.1(e), then each calendar day until such Completion has occurred, the Penalty Amount will be increased by Three Hundred Dollars (\$300.00) for each Megawatt for which Megawatt Space has not been made available and passed its Electrical Testing Inspection; provided, however, that the Penalty Amount shall under no circumstances exceed One Million Seven Hundred Thousand Dollars (\$1,700,000). Notwithstanding anything in Section 2.1(b) or Exhibit D to the contrary, in the event that the Penalty Amount is greater than Zero Dollars (\$0.00), Purchaser may, by written notice delivered to Seller, reduce the aggregate amount of the Cash Payments payable in one or more future Installments by an amount equal to such Penalty Amount (with such reduction to be allocated among such Installments in the discretion of Purchaser as notified to Seller in writing). The Warrantors acknowledge and agree that the Warrantors (excluding Company) shall be jointly and severally liable for the Penalty Amount.

(g) Electrical Testing Inspection. The parties hereto acknowledge and agree that the Electrical Testing Inspection shall be conducted according to the procedures and standards as set forth in Exhibit B hereto.

## **2.2 Repurchase Option.**

(a) Repurchase. In addition to any other rights Seller may have hereunder or under applicable law, in the event that Purchaser fails to pay in full any Installment (as may be reduced in accordance with Section 2.1(f)) within twenty-one (21) calendar days of the applicable Installment Date (the "**Grace Period**"), Seller shall have an irrevocable option (the "**Repurchase Option**"), for a period of ninety (90) calendar days after the end of the Grace Period (the "**Repurchase Period**"), to repurchase from Purchaser all Unearned Units (as defined below) at a repurchase price equal to \$0.001 per Unearned Unit (the "**Option Price**"); provided that should Seller fail to deliver the Completion Certificate on or prior to the applicable Milestone Date (*i.e.*, a Construction Milestone does not occur) for any Construction Milestone scheduled to complete on or before any applicable Installment Date, Seller shall not be entitled to exercise the Repurchase Option with respect to any then past-due Installment of payments.

(b) Unearned Units.

(i) Upon the first instance of Purchaser failing to pay in full any Installment within the Grace Period, the number of Unearned Units shall be determined in accordance with the following formula:

$$\text{Unearned Units} = 51,000 \times (UV / AV)$$

Where:

“**Unearned Units**” means the number of Purchased Units of Company owned by Purchaser that are then subject to the Repurchase Option, which number (i) shall be rounded to the nearest whole number and (ii) shall not be less than zero (0).

“**UV**” means the amount of the Installment Purchaser fails to pay for the first time.

“**AV**” means \$12,138,000, representing the aggregate deemed value of the Purchase Price, less the then-current Penalty Amount.

(ii) Upon any additional instance of Purchaser failing to pay in full any Installment within the Grace Period, the number of Unearned Units shall be determined in accordance with the following formula:

$$\text{Unearned Units} = 51,000 \times ((AV - (C + (E \times EV))) / AV)$$

Where:

“**Unearned Units**” shall have the meaning as stated above.

“**C**” means the aggregate amount of the Cash Payments actually made by Purchaser to Seller;

“**E**” means the number of Purchaser Shares actually issued to Seller by Purchaser as part of the Purchase Price;

“**EV**” means the deemed value of each Purchaser Share, which shall be equal to \$1.142; and

“**AV**” shall have the meaning as stated above.

(c) Exercise of Repurchase Option. Seller shall be deemed to have exercised the Repurchase Option as of the last day of the Repurchase Period, unless an officer of Seller notifies Purchaser during the Repurchase Period in writing that Seller expressly declines to exercise its Repurchase Option for some or all of the Unearned Units. Upon exercise of the Repurchase Option, Seller shall pay to Purchaser the aggregate Option Price for the Unearned Units being repurchased by cash or cash equivalents. Upon exercise of the Repurchase Option and payment of the purchase price in any of the ways described above, Seller shall become the legal and beneficial owner of the Unearned Units being repurchased and all rights and interest therein or related thereto, and Seller shall have the right to transfer to its own name the Unearned Units being repurchased by Seller, without further action by Purchaser. Upon Seller’s exercise of the Repurchase Option when Purchaser fails to pay in full the Installment for the second time, Purchaser shall have no obligation to pay any additional Installments of the Purchase Price pursuant to Section 2.1(b).

Notwithstanding any other provisions hereunder, if Purchaser has made the full payment (the “**Remedy Payment**”) for the unpaid portion of the applicable Installment(s) prior to Seller’s exercise of the Repurchase Option, Seller’s right to exercise such Repurchase Option corresponding to the Remedy Payment shall not be exercised with respect to such previously unpaid portion of Installment(s).

(d) Adjustments to Class A Units. If, from time to time, during the term of the Repurchase Option, there is any change affecting Company’s outstanding Class A Units that is effected without the receipt of consideration by Company (through merger, consolidation, reorganization, reincorporation, distribution in property other than cash, unit split, combination of units, change in corporation structure or other transaction not involving the receipt of consideration by Company), then any and all new, substituted or additional securities or other property to which Purchaser is entitled by reason of Purchaser’s ownership of the Purchased Units shall be immediately subject to the Repurchase Option and be included in the term “Purchased Units” for all purposes of the Repurchase Option with the same force and effect as the Purchased Units presently subject to the Repurchase Option, but only to the extent such Purchased Units are, at the time, covered by such Repurchase Option. While the aggregate Option Price shall remain the same after each such event, the Option Price per Unearned Unit upon exercise of the Repurchase Option shall be appropriately adjusted.

### **ARTICLE III REPRESENTATIONS AND WARRANTIES**

**3.1 Representations and Warranties of Warrantors.** Each Warrantor hereby, severally but not jointly, represents and warrants to Purchaser, as of the Effective Date, as of the Closing, and as of each Installment Date that, except as set forth in the Disclosure Schedules attached as Exhibit H hereto (the “**Disclosure Schedules**”), the following representations are true and complete.

(a) Title to Purchased Units.

(i) Seller is the sole legal, record and beneficial owner of, and has good and valid title to, the Purchased Units. The Purchased Units and the other Class A Units issued to and held by Seller are the only securities of Company issued and outstanding immediately prior the Closing and at the Closing. The Purchased Units are free and clear of any Lien, limitation or restriction except for restrictions on transfer imposed by applicable securities Laws and restrictions set forth in the LLC Agreement.

(ii) Seller is not a party to any option, warrant, purchase right or other Contract or commitment that requires or permits Seller to purchase, sell, transfer or otherwise dispose of any equity interest of Company, except pursuant to the express terms of this Agreement and the LLC Agreement.

(iii) Seller has not pledged, assigned, transferred or otherwise encumbered the Purchased Units.

(iv) Upon the consummation of the Transaction, Purchaser will acquire good, marketable and valid title to the Purchased Units, fully paid and nonassessable, free and clear of any Lien (except for restrictions on transfer imposed by applicable securities Laws, restrictions set forth in the LLC Agreement, or that are created by Purchaser).

(v) The Purchased Units have been duly authorized and validly issued, and were not issued in violation of any Law, Contract binding upon Company or preemptive rights to which any person is or was entitled.

(vi) The Purchased Units constitute fifty-one percent (51%) of the issued and outstanding equity interests in Company.

(b) Organization, Standing and Qualification. Each Warrantor has been duly organized and is validly existing and is in good standing under the Laws of the jurisdiction of its incorporation or organization and has all requisite right, power and authority necessary to own and operate its properties, and to carry out its business as presently conducted and as proposed to be conducted. All governmental approvals, permits, licenses, authorizations, certifications, registrations, and filings which are required to be obtained or made by any Warrantor under applicable Laws in connection with the due and proper establishment of each Warrantor are not in default, and are in full force and effect. Seller or Company does not need any permit for crypto-mining operations in the State of Ohio. There are no application noise restrictions in Summit County, Ohio. The Warrantor is duly qualified to transact business and is in good standing in each jurisdiction in which the nature of its business or the location of its assets requires it to be so qualified.

(c) Authority; Binding Obligation. The Warrantor has the requisite power and authority to enter into and deliver this Agreement and to carry out its obligations hereunder and to consummate the Transaction. This Agreement has been or prior to delivery will be duly executed and delivered by the Warrantor and, assuming due authorization, execution and delivery by Purchaser and any other party thereto, constitutes a legal, valid and binding obligation of the Warrantor, enforceable against the Warrantor, in accordance with its terms, subject to (i) the application of bankruptcy, receivership, conservatorship, reorganization, insolvency and similar Laws affecting creditors' rights generally and (ii) equitable principles being applied at the discretion of a court before which any proceeding may be brought ((i) and (ii), together, the "**Enforcement Qualifications**").

(d) Consents and Approvals. No consent, approval, easement relocations or abandonments, authorization, filing or registration is required to be made or obtained by any Warrantor in connection with the execution and delivery of this Agreement by the Warrantor, nor for the consummation by the Warrantor of the Transaction (i) from any Governmental Entity under the requirements of any applicable Law or (ii) under the terms of any Organizational Documents of the Warrantor, in each case which has not been made or obtained.

(e) No Violation. The execution and delivery by the Warrantor of this Agreement and the consummation of the Transaction do not and will not (i) result in any violation of any Organizational Documents of such Warrantor or (ii) conflict with or violate any Law, rule, regulation, Order, writ, judgment, injunction, decree, determination, award, agreement, contract or obligation applicable to such Warrantor, or by which the Purchased Units are bound.

(f) Insolvency. The Warrantor has not (i) made a general assignment for the benefit of creditors; (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors; (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets; or (iv) suffered the attachment or other judicial seizure of all, or substantially all, of its assets.

(g) No Litigation. There are no legal proceedings pending or, to the knowledge of Warrantors, threatened that (a) relate to or affect the Purchased Units or (b) challenge or seek to prevent, enjoin or otherwise delay the ability of the Warrantor to enter into this Agreement or the other closing documents deliverable by such Warrantor or consummate the transactions contemplated hereby or thereby. To the knowledge of Warrantors, no event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such proceeding.

(h) No Undisclosed Liability. Except as otherwise disclosed to Purchaser in writing, the Warrantor has no other liability or obligation, absolute or contingent (individually or in the aggregate).

(i) Title to Property and Assets; Condition and Sufficiency of Assets.

(i) Each Warrantor has good and valid title to, or a valid leasehold interest in, all property (including intellectual property and real property) and assets (the “**Assets**”) owned or leased by it as of the date of this Agreement.

(ii) The Assets are free and clear of all Liens, except for statutory liens for the payment of current taxes that are not yet delinquent. With respect to the Assets the Warrantor leases, such Warrantor is in compliance with such leases and such leasehold interest is free of any Liens other than those of the lessors of such Assets. With respect to the tangible personal property included in the Assets, including the buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property, such Assets are structurally sound, are in good operating condition and repair, and are adequate for the uses to which they are being put, and none of such buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost.

(iii) The Assets are sufficient for the continued conduct of the Business after the Closing in the manner as contemplated and agreed by the Warrantors and Purchaser and constitute all of the rights, property and assets, tangible and intangible, of any nature whatsoever, necessary to operate and conduct the Business.

(j) Infringement, Misappropriation and Claims. No Warrantor has violated, infringed or misappropriated any intellectual property of any other Person, nor has any Warrantor received any written notice alleging any of the foregoing. (a) To the knowledge of the Warrantors, no Person has violated, infringed or misappropriated any intellectual properties of any Warrantor and (b) no Warrantor has given any written notice to any other Person alleging any of the foregoing. No Person has challenged the ownership or use of any intellectual properties by a Warrantor in writing. No Warrantor has agreed to indemnify any Person for any infringement, violation or misappropriation of any intellectual property by such Person.

(k) Insurance. Each Warrantor has procured and maintained, in full force and effect, the insurance policies concerning such casualties as would be reasonable and customary for companies like the Warrantor, with extended coverage, sufficient in amount (subject to reasonable deductions) to allow it to replace any of its properties that might be damaged or destroyed.

(l) Securities Laws. Neither Seller nor anyone acting on Seller’s behalf has offered the Purchased Units to the public or engaged in any general solicitation or general advertising with respect to the offer and sale of the Purchased Units.

(m) Compliance with Laws. Each of the Warrantors has been in material compliance with applicable Laws, and none of the Warrantors have received any written notices of any violation with respect to such Laws, except for violations that are immaterial, have been cured or are no longer being asserted. To the Warrantors’ knowledge, no event has occurred, and no condition or circumstance exists, that will (with or without notice or lapse of time) constitute or result in a violation by a Warrantor of, or a failure on the part of a Warrantor to comply with, any Law that has not been resolved or cured. Upon the Completion of each Construction Milestone, the Megawatt Space will comply with any and all applicable



local, state and federal laws, regulations, industrial requirements and norms. The substance of the Transaction with Purchaser will be protected by local, state, and federal laws and regulations.

(n) Material Contracts. All material contracts for the Business and the consummation of the transactions contemplated hereby and thereby to which any Warrantor is a party are listed in Schedule 3.1(n) of the Disclosure Schedules (each, a “**Material Contract**”). Each Material Contract is a valid, binding and enforceable agreement of the parties thereto, subject to the Enforcement Qualifications, the performance of which does not violate any applicable Laws, and is in full force and effect, has been duly authorized and executed and the terms thereof have been complied with by the relevant Warrantor (and no Warrantor is in default of the performance, observance or fulfillment of any of its obligations, covenants or conditions contained in such Material Contract) and, to the best knowledge of each Warrantor, by all the other parties thereto. To the knowledge of each Warrantor, there are no circumstances likely to give rise to any breach of such terms, there are no grounds for rescission, avoidance or repudiation of any of the Material Contracts, no notices of violation, default, termination or intention to terminate (whether or not such notice is in writing) have been received in respect of any Material Contract, and to the knowledge of each Warrantor, no counterparty to any Material Contract has indicated any intention to terminate any such contract prior to the expiration of its term.

(o) Environmental Matters. Except as otherwise disclosed under Schedule 3.1(o) of the Disclosure Schedules, the Warrantor is in material compliance with all applicable Environmental Laws. No Warrantor has received any written notices, demand letters or requests for information from any Governmental Entity indicating that the such Warrantor is or may be in violation of, or be liable under, any Environmental Law, and no Warrantor is subject to any pending or, to Warrantors’ Knowledge, threatened action or investigation by any Governmental Entity under any Environmental Law. Except as otherwise disclosed under Schedule 3.1(o) hereto, to the Warrantors’ knowledge, no current or prior owner of any property leased or controlled by the a Warrantor has received any written notice from a Governmental Entity during the past six years that alleges that such current or prior owner or the Warrantor is materially violating any Environmental Law. The Warrantor are in compliance in all material respects with, and have no material liability under, any provisions of leases relating in any way to any Environmental Laws or to the use, management or release of hazardous substances under such leases. All Environmental Permits, if any, required to be obtained by the Warrantor under any Environmental Law in connection with its operation as it is currently being conducted, including those relating to the management of hazardous substances, have been obtained by the Warrantor, are in full force and effect, and the Warrantor is in material compliance with the terms thereof. The Warrantor has not disposed of or released any hazardous substances on, in or under any real property that would reasonably be expected to require remediation under Environmental Laws.

(p) Disclosure. The Warrantor has made available to Purchaser all the information reasonable available to the Warrantor that Purchaser has requested for deciding whether to acquire the Purchased Units, including certain of the Warrantor’s projections describing its proposed business plan (the “**Business Plan**”). No representation or warranty of the Warrantor contained in this Agreement and the exhibits hereto, and no certificate furnished or to be furnished to Purchaser at the Closing, contains any untrue statement of a material fact or, to the Warrantors’ knowledge, omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. The Business Plan was prepared in good faith; however, the Warrantor does not warrant that it will achieve any results projected in the Business Plan. It is understood that this representation is qualified by the fact that the Warrantor has not delivered to Purchaser, and has not been requested to deliver, a private placement or similar memorandum or any written disclosure of the types of information customarily furnished to purchasers of securities.

(q) Foreign Corrupt Practices Act. Neither the Warrantor nor any of its directors, officers, employees or agents have, directly or indirectly, made, offered, promised or authorized any payment or gift of any money or anything of value to or for the benefit of any “foreign official” (as such term is defined in the U.S. Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”)), foreign political party or official thereof or candidate for foreign political office for the purpose of (i) influencing any official act or decision of such official, party or candidate, (ii) inducing such official, party or candidate to use his, her or its influence to affect any act or decision of a foreign governmental authority, or (iii) securing any improper advantage, in the case of (i), (ii) and (iii) above in order to assist any Warrantor in obtaining or retaining business for or with, or directing business to, any Person. Neither the Warrantor nor any of its directors, officers, employees or agents have made or authorized any bribe, rebate, payoff, influence payment, kickback or other unlawful payment of funds or received or retained any funds in violation of any law, rule or regulation. Neither the Warrantor, nor to the Warrantors’ knowledge, any of its officers, directors or employees are the subject of any allegation, voluntary disclosure, investigation, prosecution or other enforcement action related to the FCPA or any other anti-corruption law.

(r) Critical Technology. Company does not produce, design, test, manufacture, fabricate, or develop one or more “critical technologies” within the meaning of the Defense Production Act of 1950, as amended, including all implementing regulations thereof, and has no current intention of engaging in such activities in the future.

(s) Operation. DAS and Seller’s operation on the VDC Facility (as defined in the CFFA) and the Property (including creating any Liens on the VDC Facility (as defined in the CFFA) or the Property) will not result in or cause any adverse effect or impact on Company’s Business or its operation of the Megawatt Space.

**3.2 Representations and Warranties of Purchaser.** Purchaser hereby represents and warrants to Seller, as of the Effective Date, as of the Closing, and as of each Installment Date as follows:

(a) Organization and Existence. Purchaser has been duly organized and validly existing and is in good standing under the Laws of the Cayman Islands and has all requisite right, power and authority necessary to own, lease and operate all of its property and to carry on its business as it is now being carried on.

(b) Authority; Binding Obligation of Purchaser. Purchaser has all requisite power and authority to enter into this Agreement, to carry out its obligations hereunder and to consummate the Transaction. This Agreement has been duly authorized, executed and delivered by Purchaser and, assuming due authorization, execution and delivery by Seller and any other party thereto, this Agreement shall constitute a legal, valid and binding obligation of Purchaser enforceable against it in accordance with its terms, subject to the Enforcement Qualifications.

(c) Consents and Approvals. No consent, approval or authorization of any non-governmental third party, and no consent, approval, authorization or declaration of, or filing or registration with, any Governmental Entity, is required to be made or obtained by Purchaser in connection with the execution and delivery of this Agreement by Purchaser or the consummation by Purchaser of the Transaction.

(d) No Violation. The execution and delivery by Purchaser of this Agreement and the consummation of the Transaction do not and will not (i) result in any violation of any Organizational Documents of Purchaser, (ii) result in any breach or default under any contract or permit to which Purchaser is a party or by which the assets or properties of Purchaser are subject (or result in the imposition of any

Liens, charges, encumbrances, pledges, covenants, conditions, restrictions, and adverse claims or rights upon any of such assets or properties), or (iii) conflict with or violate any Law, rule, regulation, Order, writ, judgment, injunction, decree, determination, award, agreement, contract or obligation applicable to Purchaser or by which any of the assets or properties of Purchaser are bound.

(e) Investment Intent. Purchaser is aware of Company's financial condition and has acquired sufficient information about Company to reach an informed and knowledgeable decision to acquire the Purchased Units. Purchaser is purchasing the Purchased Units for investment for its own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "**Securities Act**").

Purchaser does not presently have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participations to such Person or to any third party with respect to any of the Purchased Units. Purchaser understands that the Purchased Units have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein. Purchaser understands that the Purchased Units are "restricted securities" under applicable U.S. federal and state securities Laws and that, pursuant to these Laws, Purchaser must hold the Purchased Units indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or unless an exemption from such registration and qualification requirements is available. Purchaser acknowledges that Company has no obligation to register or qualify the Purchased Units for resale. Purchaser further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Purchased Units, and requirements relating to Company which are outside of Purchaser's control, and which Company is under no obligation and may not be able to satisfy.

(f) Due Diligence. Purchaser (i) has had an opportunity to ask questions of, and receive answers from, Seller regarding Company and the Property and the business, properties, prospects, and financial condition thereof, which questions were answered to its satisfaction, (ii) believes it has been furnished with such financial, legal, technical, personnel and operating data, and other information, as Purchaser reasonably requested and (iii) understands that any business plans prepared on behalf of Company have been, and continue to be, subject to change and that any projections included in such business plans or otherwise are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results, but were prepared in good faith.

Purchaser acknowledges that it has made its own independent examination, investigation, analysis, and evaluation of Company and the Property, including Purchaser's own estimate of the value of Company. Purchaser acknowledges that it has undertaken such due diligence (including a review of the assets, liabilities, books, records, and contracts of Company) as Purchaser deems adequate, including that described above.

(g) Independent Tax Advice. Purchaser has consulted any Tax consultants Purchaser deems advisable in connection with the purchase of the Purchased Units, and Purchaser is not relying on Seller or Company for any Tax advice.

(h) Accredited Investor. Purchaser is an "accredited investor" within the meaning of Regulation D, Rule 501(a), or otherwise qualifies under the "safe harbor" provisions of Rule 506 of Regulation D for the private offering exemption available under Section 4(a)(2) of the Securities Act, as promulgated by the Securities and Exchange Commission.

**ARTICLE IV  
OTHER COVENANTS**

(a) DAS, Seller and Company shall, jointly and severally, have obligations to, and shall procure each other to undertake the obligations to, construct, refurbish and otherwise improve the Megawatt Space and procure the readiness and fitness of the Megawatt Space for the installation, testing and operation of the equipment, machinery, server, system and other facilities (the “**Facilities**”) necessary for the operation of the Business.

(b) DAS, Seller and Company shall, jointly and severally, and shall procure each other to, maintain the Megawatt Space and all the Facilities therein in good conditions so that the Megawatt Space and the Facilities are suitable for the operation of the Business in accordance with applicable Laws and industrial standards in respect of such Business.

(c) The Warrantors shall, jointly and severally, procure the Completion of the Megawatts pursuant to Section 2.1(e) of this Agreement and the delivery of such Megawatts to the Megawatt Space.

(d) To the extent that any permits, licenses, approvals, authorizations and any similar issued by a relevant Governmental Authority (“**Licenses**”) are necessary for the due and proper operation of the Business, but have not been obtained by the Closing, the Warrantors covenant to obtain all such Licenses and maintain the same in full force and effect so long as Company operates such Business.

(e) Without prejudice to and in addition to such other obligations of the Warrantors as provided under this Agreement, the Warrantors shall maintain all the other parts of the Property other than the Megawatt Space in proper condition so that the use of the Megawatt Space for the purpose of the Business will not be adversely affected.

(f) The parties intend to treat the Transaction, for federal and state income tax purposes, as a purchase of partnership interests. The parties will cause Company make an immediate election pursuant to Section 754 of the Internal Revenue Code.

(g) DAS, Seller and Viking Real Estate covenant that appropriate remediation of the environmental matters identified with respect to the Property will occur in accordance with the EPA-compliant environmental operations and maintenance plan as attached as Exhibit I hereto.

(h) CFIUS Covenant. In the event that the Committee on Foreign Investment in the United States (“**CFIUS**”) requests or requires a filing, Purchaser and the Warrantors shall respectively use reasonable best efforts to: (A) provide as promptly as practicable to each other’s counsel and to CFIUS any additional or supplemental information and documentary material as may be necessary, proper, or advisable in connection with preparation and submission of the filing and thereafter to complete the filing and obtain approval or equivalent clearance from CFIUS in respect of the transactions contemplated hereunder (“**CFIUS Clearance**”); (B) permit the other party to review reasonably in advance any communication (subject to mutually acceptable appropriate redactions to maintain confidentiality of business information) proposed to be given by it to CFIUS, and consult with each other in advance of any meeting or conference with CFIUS, and, to the extent permitted by CFIUS, give the other party reasonable opportunity to attend and participate in any such meeting or conference; and (C) keep each other timely apprised of the status of any communications with, and any inquiries or requests for additional information or documentary material from, CFIUS, in each case (A)-(C), to the extent permitted by applicable law and subject to customary and mutually acceptable confidentiality practices and all applicable privileges (including the attorney-client

privilege). Notwithstanding the previous sentence, Purchaser shall have no obligation to take or accept any action, condition, or restriction as a condition of CFIUS Clearance.

## ARTICLE V GENERAL PROVISIONS

**5.1 Survival of Warranties.** Unless otherwise set forth in this Agreement, the representations and warranties of the Warrantors contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation or knowledge of the subject matter thereof made by or on behalf of Purchaser or the Warrantors. The Warrantors hereby acknowledge that, regardless of any investigation made (or not made) by or on behalf of Purchaser, and regardless of the results of any such investigation, Purchaser has entered into this Agreement and the transactions contemplated hereby in express reliance upon the representations and warranties of the Warrantors contained in or made pursuant to this Agreement. The rights of Purchaser to any recovery or remedy arising out of or in connection with this Agreement shall not be impacted or limited by any knowledge that Purchaser may have acquired, or could have acquired, whether before or after the date hereof or the Closing, nor by any investigation or diligence by such Purchaser.

### **5.2 Indemnification.**

(a) Each of the Warrantors hereby agrees and undertakes to jointly with the other Warrantors and severally indemnify, defend and hold harmless Purchaser and its affiliates and their respective officers, duly authorized representatives, directors, duly engaged agents, employees and partners (each, an “**Indemnified Party**”) from and against any and all losses, damages, liabilities, claims, diminution in the value of Company, the business of Company or the Indemnified Party’s investment in Company, proceedings, costs, expenses (including but not limited to the fees, disbursements and other charges of counsel incurred by any Indemnified Party in any action between any Warrantor and any Indemnified Party, or any action which is between any Indemnified Party and any third party and is related to any Warrantor, in connection with any investigation or evaluation of a claim or otherwise), penalties and interest (collectively, the “**Losses**”) resulting directly or indirectly from or arising directly or indirectly out of any breach by any Warrantor of any of the Warrantors’ representations and warranties or other representations, covenants or agreements in this Agreement or any other Transaction document, or default by any Warrantor of any documents or agreements in connection with the Liens on the Property or the underlying loan documents in connection therewith.

(b) The obligations of each of the Warrantors (except for Company) under this Section 5.2 shall not be reduced, offset, eliminated or subject to contribution by reason of any action or inaction by Company prior to the Closing that contributed to any inaccuracy or breach giving rise to such obligation, it being understood and agreed that the Warrantors (except for Company), and not Company, shall be responsible for the applicable indemnity obligations under Section 5.2(a).

Each of the Warrantors (except for Company) agrees that such party will not seek, nor will any Warrantors (except for Company) be entitled to, reimbursement or contribution from, subrogation to, or indemnification by Company, under its Organizational Documents, this Agreement, applicable Laws or otherwise, in respect of any amounts due from the Warrantors (except for Company) to any Indemnified Party under this Section 5.2 or otherwise in connection with this Agreement. Each of the Warrantors (except for Company) further agrees not to make any claims against any directors and officers insurance policy maintained or to be maintained by or for the benefit of Company in respect of amounts due by the Warrantors (except for Company) to any Indemnified Party under this Section 5.2 or otherwise in connection with this Agreement.

**5.3 Further Assurances; Cooperation.** Following the Closing, subject to the terms and conditions of this Agreement, the parties hereto will use all commercially reasonable efforts to take, or

cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable Laws to consummate the Transaction, including but not limited to the following:

(a) Seller shall keep Purchaser promptly apprised of any material developments regarding Company's execution of the Power Strategy, including through Seller's prompt delivery to Purchaser of copies of (i) the power company's recommendations as to initial 50 Megawatts of electrical power to be delivered to Seller and (ii) the detailed load study with respect to Seller's power needs;

(b) Seller shall, within seven (7) calendar days after the Closing, procure a certification from a licensed electrical engineer, certifying that the Power Design is in compliance with the NEC, which should be an express condition precedent for Purchaser's payment of the second Installment pursuant to Section 2 of Exhibit D;

(c) as soon as possible after the Closing, Seller shall deliver to Purchaser a copy of the grant deed for the Property, duly executed by Maxion Wheels Akron, LLC, a Delaware limited liability company, as the grantor, in favor of Viking Real Estate, as the grantee;

(d) as soon as possible after the Closing, Seller shall deliver to Purchaser a copy of an occupancy certificate with respect to the Property, duly issued by appropriate Governmental Entity;

(e) as soon as possible after the Closing, but in no event later than the occurrence of the First Construction Milestone, Seller and Company will obtain or cause to be obtained necessary insurance policies with coverage and terms reasonably acceptable to Purchaser; and

(f) as soon as possible after the Closing, but in no event later than the occurrence of the First Construction Milestone, DAS, Seller, and Company will prepare and implement a set of work safety compliance policies consistent with applicable Laws and relevant industrial and safety standards.

**5.4 Severability.** Should any provision or portion of this Agreement be held unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

**5.5 Governing Law.** This Agreement shall be construed in accordance with, and governed by, the internal Laws of the State of New York applicable to contracts entered into herein, without regard to conflicts of laws principles.

**5.6 Dispute Resolution.** Any dispute, controversy or claim arising out of or relating to this Agreement, including the formation, interpretation, breach or termination thereof, including whether the claims asserted are arbitrable, will be referred to and finally determined by arbitration in accordance with the JAMS International Arbitration Rules. The place of arbitration will be Akron, Ohio, the United States. The language to be used in the arbitral proceedings will be English. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

**5.7 Expenses.** Except as otherwise provided in this Agreement, each party shall pay its own costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants incurred in connection with this Agreement and the Transaction.

**5.8 Amendment; Waiver.** This Agreement may not be amended or modified except by an instrument in writing signed by Seller and Purchaser. No failure on the part of any party hereto to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof.

**5.9 Entire Agreement; Headings.** This Agreement constitutes the entire agreement among the parties hereto relating to the Transaction and supersedes all prior agreements and understandings, both written and oral, with respect to the subject matter hereof. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

**5.10 Notices.** Any notice or other communication required or permitted to be given to any of the parties to this Agreement shall be in writing and shall be deemed to have been duly given (i) if personally delivered, upon delivery, (ii) if sent by facsimile or e-mail (with confirmation of transmission) during normal business hours of the recipient on a business day, when sent (or, if not sent on a business day or after normal business hours of the recipient, on the next business day), (iii) if sent by a nationally recognized overnight courier service, on the date of delivery to such service, or (iv) if sent by mail (certified or registered), on the date on which the piece of mail containing such communication is posted, in each case addressed as set forth below. Any notice delivered pursuant to this Agreement shall be deemed to be received, and the time to respond to such notice shall commence to run, on the date of actual delivery at the appropriate addresses (or attempted delivery if delivery is refused during normal business hours on a business day).

If to Seller, to:	Viking Data Centers LLC 121 Wilbur Drive NE North Canton, NE 44720
with a copy to:	Margaret N. Rosenfeld Partner K&L Gates LLP 599 Lexington Avenue New York, NY 10022  Tel: +1 (212) 536 4826 E-mail: Margaret.Rosenfeld@klgates.com
If to Purchaser:	Bo Yu Director BIT Mining Limited Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong  Tel: +1 (346) 204 8537 Email: yub@btc.com
with a copy to:	Henry Yin Partner Cooley LLP China World Office 2, Suite 1808, No. 1 Jianguomenwai Avenue, Beijing, 100004  Tel: +86 10 85400699 E-mail: henry.yin@cooley.com

**5.11 Binding Effect; Assignment.** This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors and permitted assigns. Nothing in this Agreement shall create any third-party beneficiary rights in any Person not a party to this Agreement. No assignment of this Agreement or of any rights or obligations hereunder may be made by any party without the prior written consent of the other parties; *provided, however*, that such assignment shall not release the assigning party from its obligations, agreements and liabilities hereunder and the assignee shall in writing to be bound by, and shall assume, all of the assigning party's obligations, agreements, covenants, indemnities, representations and warranties hereunder; *provided further* that Purchaser may assign this Agreement to one of its Affiliates without such prior written consent and upon such assignment, Purchaser shall have no obligations whatsoever hereunder. Any attempted assignment without the required consent shall be void *ab initio*.

**5.12 Counterparts.** This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. For purposes hereof, a signature page in .pdf format has the same force and effect as an original. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

*[Remainder of Page Intentionally Blank]*



IN WITNESS WHEREOF, the parties hereby have entered into this Membership Interest Purchase Agreement on the date first above written.

**SELLER:**

Viking Data Centers LLC  
a Delaware corporation

By: /s/ Soffia Gudrun Wathne

Name: Soffia Gudrun Wathne

Title: Authorized Signatory

**PURCHASER:**

BIT Mining Limited  
a Cayman Islands exempted limited liability company

By: /s/ Bo YU

Name: Bo YU

Title: Director

IN WITNESS WHEREOF, the parties hereby have entered into this Membership Interest Purchase Agreement on the date first above written.

**Warrantors:**

Asgard Data Centers LLC  
a Delaware corporation

By: /s/ David Stanfill

Name: David Stanfill

Title: President and Chief Executive Officer

DAS Factory, LLC  
a Delaware corporation

By: /s/ David Stanfill

Name: David Stanfill

Title: Authorized Signatory

Viking Real Estate Holdings LLC  
a Delaware corporation

By: /s/ David Stanfill

Name: David Stanfill

Title: Authorized Signatory

Form of Completion Certificate

COMPLETION CERTIFICATE

[Date]

Pursuant to Section 2.1(e) of that certain Membership Interest Purchase Agreement, dated as of September 22, by and among Viking Data Centers LLC (“**Seller**”), BIT Mining Limited, and other parties thereto (the “**Agreement**”), I, the duly elected and acting \_\_\_\_\_ of Seller, hereby certify in such capacity on behalf of Seller, and not in my individual capacity, as follows:

1. Seller has made available Megawatt Space with respect to a cumulative number of Megawatts equal to *[insert number of Megawatts]* (the “**Delivered Megawatt Space**”) as of the date of this Completion Certificate;
2. The Delivered Megawatt Space is available as of the date of this Completion Certificate for use by crypto-mining equipment that is installed or could be installed in the data center located on the Property.
3. The Electrical Testing Inspection has been completed and passed with respect to the Delivered Megawatt Space.
4. The completed Facilities and Megawatt Space are fully in accordance with the Mine Design Scheme and Power Design.

Capitalized terms used and not defined in this Certificate shall have the meanings given to such terms in the Agreement.

IN WITNESS WHEREOF, Seller has caused this certificate to be executed on its behalf by its \_\_\_\_\_, as of the date first set forth above.

**VIKING DATA CENTERS LLC**

By: \_\_\_\_\_  
Name:  
Title:

**Electrical Testing Inspection**

**1. Completion Inspection and Completion Notice**

1.1 When Seller has reasonably determined that a Megawatt Space is ready for the Electrical Testing Inspection, Seller shall deliver a Completion Certificate with respect to each Completion described in Section 2.1(e) of this Agreement to Purchaser. In addition to such other rights of Purchaser as provided under this Agreement, Purchaser shall have right to conduct an Electrical Testing Inspection (the “**Completion Inspection**”) after the receipt of the Completion Certificate; provided, however, such Completion Inspection with respect to each Completion shall take place no later than five (5) calendar days after receipt of the Completion Certificate by Purchaser with regard to such Completion.

1.2 The Completion Inspection with respect to each Completion shall be deemed to have passed if (i) there are such number of Outlets in the Megawatt Space operating with a continuous capacity of no less than 3840 watts that is calculated by dividing: (A) the number of Megawatts that shall be delivered upon such Completion pursuant to Section 2.1(e) of this Agreement, by (B) 3840 watts, (ii) all installations covered by the NEC and any parts of such installations have been completed and comply in all respects with relevant rules and applicable standards of the NEC, (iii) all transformers, wires, circuits, cables, Outlets, breakers, conductors, switches, conduit bodies and other electrical devices in the Megawatt Space have been installed in compliance with all applicable standards of the NEC in all respects and are operating and functioning in proper order, (iv) all precautionary and protective measures necessary for the safety of the Megawatt Space and the Facilities have been taken and completed in compliance with all applicable standards of the NEC in all respects, and (v) the Completion of the Megawatt Space and the Facilities are in accordance with the Mine Design Scheme and the Power Design in all material respects so long as the immaterial deviations from and inconsistency with the Mine Design Scheme and the Power Design do not adversely affect the full capacity and optimal operation of the Megawatt Space.

1.3 In the event that the Completion Inspection with respect to a Completion has passed, Purchaser shall deliver a written notice (the “**Completion Notice**”) to Seller; *provided that*, in the event the Completion Inspection passes and Purchaser issues the Completion Notice with respect to such Completion, the Completion shall be deemed to have occurred on the date of the Completion Certificate so that no Penalty Amount shall accrue under Section 2.1(f) of this Agreement with respect to such Completion; *provided further that*, in the event that the Completion Inspection fails, the Penalty Amount under Section 2.1(f) of this Agreement shall be deemed to have started to accrue on the date immediately after the applicable Milestone Date.

**2. Compliance Inspection and Compliance Notice**

2.1 During the period between two Construction Milestone Dates, Purchaser shall have the right to visit and conduct additional Electrical Testing Inspection (the “**Compliance Inspection**”) with respect to the Megawatt Space and the Facilities at its discretion during regular working hours on reasonable prior notice to Seller (the “**Purchaser Inspection Notice**”); provided, however, such Compliance Inspection shall take place no later than five (5) calendar days after delivery of the Purchaser Inspection Notice.

2.2 The Compliance Inspection shall be deemed to have passed if (i) there are such number of Outlets in the Megawatt Space operating with a continuous capacity of no less than 3840 watts that is calculated by dividing: (A) the number of Megawatts that Seller truthfully and honestly claims to have been completed prior to such inspection date, by (B) 3840 watts, (ii) all installations covered by the NEC and

any parts of such installations have been completed and comply in all respects with relevant rules and applicable standards of the NEC, (iii) all transformers, wires, circuits, cables, Outlets, breakers, conductors, switches, conduit bodies and other electrical devices in the Megawatt Space have been installed in compliance with all applicable standards of the NEC in all respects and are operating and functioning in proper order, (iv) all precautionary and protective measures necessary for the safety of the Megawatt Space and the Facilities have been taken and completed in compliance with all applicable standards of the NEC in all respects, and (v) the Megawatt Space and the Facilities are constructed in accordance with the Mine Design Scheme and the Power Design in all material respects so long as the immaterial deviations from and inconsistency with the Mine Design Scheme and the Power Design do not adversely affect the full capacity and optimal operation of the Megawatt Space.

2.3 In the event that the Compliance Inspection has passed, Purchaser shall deliver a written notice (the “**Compliance Notice**”) to the Seller.

### **3. Inspection Methods**

3.1 Purchaser may by itself or may engage a third party to conduct any Electrical Testing Inspection. Purchaser and Seller may attend an Electrical Testing Inspection either in person or via a virtual meeting link.

**EXHIBIT C**

**LLC Agreement**

**Purchase Price Installments**

The Purchase Price shall be paid in the following Installments and on the following Installment Dates:

1. On the Closing, Purchaser shall make a Cash Payment to Seller in the amount of One Million Dollars (\$1,000,000);
2. On or before the date that is seven (7) calendar days after the Closing, Purchaser shall make a Cash Payment to Seller in an amount equal to Five Million Four Hundred Thirty-Eight Thousand Seven Hundred Fifty Dollars (\$5,438,750); provided that the Megawatt Space and the Facilities available on such Installment Date have passed the Compliance Inspection;
3. On or before the later of (i) October 15, 2021 and (ii) seven (7) calendar days after Purchaser delivers a Completion Notice (after Seller's delivery of a Completion Certificate and the Completion Inspection has passed to the satisfaction of Seller and Purchaser) with respect to eleven (11) Megawatts, Purchaser shall make a Cash Payment to Seller in an amount equal to Two Hundred Eighty Thousand Five Hundred Dollars (\$280,500);
4. On or before the later of (i) November 15, 2021 and (ii) seven (7) calendar days after Purchaser delivers a Completion Notice (after Seller's delivery of a Completion Certificate and the Completion Inspection has passed to the satisfaction of Seller and Purchaser) with respect to fifty (50) Megawatts, Purchaser shall make a Cash Payment to Seller in an amount equal to Nine Hundred Ninety-Four Thousand Five Hundred Dollars (\$994,500);
5. On or before November 30, 2021, Purchaser shall make a Cash Payment to Seller in an amount equal to Two Million Two Hundred Thirty-One Thousand Two Hundred Fifty Dollars (\$2,231,250); provided that the Megawatt Space and the Facilities available on such Installment Date have passed the Compliance Inspection; and
6. On or before the later of (i) February 15, 2022 and (ii) seven (7) calendar days after Purchaser delivers a Completion Notice (after Seller's delivery of a Completion Certificate and the Completion Inspection has passed to the satisfaction of Seller and Purchaser) with respect to eighty-five (85) Megawatts, Purchaser shall (x) make a Cash Payment to Seller in an amount equal to Eight Hundred Ninety-Two Thousand Five Hundred Dollars (\$892,500) and (y) issue to Seller the Purchaser Shares pursuant to a Securities Purchase Agreement in the form of Exhibit J attached hereto; *provided, however*, that Purchaser may, at its sole discretion, elect to pay One Million Three Hundred Thousand Five Hundred Dollars (\$1,300,500) as additional Cash Payments to Seller, in lieu of issuing the Purchaser Shares.

**EXHIBIT E**

**DAS Assignment**



**EXHIBIT F**

**Seller Assignment**

**EXHIBIT G**

**CFFA**

**DISCLOSURE SCHEDULE**

This Disclosure Schedule is dated as of September 22, 2021, and is made and given pursuant to Section 3.1 of the Membership Interest Purchase Agreement, dated as of September 22, 2021 (the “**Agreement**”), by and among Viking Data Centers LLC (the “**Seller**”) and BIT Mining Limited (“**Purchaser**”). All capitalized terms used but not defined herein shall have the meanings as defined in the Agreement, unless otherwise provided. The section numbers below correspond to the section numbers of the representations and warranties in the Agreement; provided, however, that any information disclosed herein under any section number shall be deemed to be disclosed and incorporated into any other section number under the Agreement where such disclosure would be appropriate and such appropriateness is reasonably apparent from the face of such disclosure. Nothing in this Disclosure Schedule is intended to broaden the scope of any representation or warranty contained in the Agreement or to create any covenant. Inclusion of any item in this Disclosure Schedule (1) does not represent a determination that such item is material or establish a standard of materiality, (2) does not represent a determination that such item did not arise in the ordinary course of business, (3) does not represent a determination that the transactions contemplated by the Agreement require the consent of third parties, and (4) shall not constitute, or be deemed to be, an admission to any third party concerning such item. This Disclosure Schedule includes brief descriptions or summaries of certain agreements and instruments, copies of which are available upon reasonable request. Such descriptions do not purport to be comprehensive and are qualified in their entirety by reference to the text of the documents described, copies of which have been made available to Purchaser or its counsel.

**Title to Property and Assets; Condition and Sufficiency of Assets**

As previously disclosed to Purchaser, Viking Real Estate has not yet completed the purchase of the Property or certain equipment the Company expects to use in connection with the Business. Viking Real Estate expects to and shall use commercially reasonable efforts to close the purchase of the Property within seven (7) calendar days after the Closing and obtain a fee simple title to the Property. Viking Real Estate will have the right to subject the Property to Liens or other encumbrances as it determines necessary or appropriate in the operation of its business.

**Insurance**

Because the purchase of the Property has not yet occurred, the Warrantors have not (and are not yet able) to procure insurance with respect thereto. However, the Warrantors have obtained and/or are in the process of obtaining quotes for insurance on the Property, as well as other insurance policies applicable to the Business. Such policies that the Warrantors have requested quotes for include:

- Construction insurance;
- General liability insurance;
- Commercial property insurance;
- Workers Compensation insurance;
- Directors' and Officers' Liability insurance;
- Errors and Omissions insurance; and
- Cyber liability insurance.

Copies of any applicable quotes received to date have been made available to Purchaser.

**Material Contracts**

- DAS Assignment;
- Seller Assignment;
- Agreement for Purchase and Sale of Real Estate, by and among Maxion Wheels Akron, LLC and DAS, with respect to the Property;
- Purchase Orders from DAS to Solomon Transformers, LLC; and
- Consulting agreement with CSD Energy.

**Environmental Matters**

As previously disclosed to Purchaser, certain past environmental matters have been identified with respect to the Property. Appropriate remediation of such matters will occur in accordance with an EPA-compliant environmental operations and maintenance plan.

**EXHIBIT I**

**EPA-Compliant Environmental Operations and Maintenance Plan**



**EXHIBIT J**

**Securities Purchase Agreement**

**MEMBERSHIP INTEREST PURCHASE AGREEMENT**

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT (this “**Agreement**”), dated as of October 18, 2021 (the “**Effective Date**”), is entered into by and among Viking Data Centers LLC, a Delaware limited liability company (“**Seller**”), and BIT Mining Limited, a Cayman Islands exempted company with limited liability (“**Purchaser**”), and is acknowledged and agreed to by Asgard Data Centers LLC, a Delaware limited liability company (“**Company**”), DAS Factory, LLC, a Delaware limited liability company (“**DAS**”), and Viking Real Estate Holdings LLC, a Delaware limited liability company (“**Viking Real Estate**,” and together with Seller, Company and DAS, collectively, the “**Warrantors**,” and each a “**Warrantor**”). Capitalized terms used but not defined herein have the meanings set forth in the Amended and Restated LLC Agreement (as defined below).

**RECITALS**

A. The parties hereto entered into that certain Membership Interest Purchase Agreement, dated as of September 22, 2021 (the “**Prior Purchase Agreement**”), in connection with the sale of 51,000 Class A Units of Company by Seller to Purchaser, representing 51% of the outstanding equity interest in Company (the “**Prior Purchased Units**”).

B. Concurrently with the execution of the Prior Purchase Agreement, Purchaser and Company entered into that certain Crypto Mining Facility and Facilitation Agreement, dated as of September 22, 2021, under which Company leases from Seller a portion a high-performance computing data center focused on crypto mining on a property located at 428 Seiberling Street, Akron, Ohio 44306 (the “**Property**”) and will have access to, among other things, up to 85 MW of electrical power (together with the purchase and sale transaction under the Prior Purchase Agreement, the “**85 MW Transaction**”).

C. At the closing of the 85 MW Transaction, Company, Seller and Purchaser entered into that certain of Limited Liability Company Agreement, dated as of September 22, 2021 (the “**Original LLC Agreement**”).

D. Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, additional 4,000 Class A Units of Company (the “**Additional Units**”), with Seller retaining 45,000 Class A Units of Company and the parties desire to enter into a series of related transactions so that Company will have access to additional 65 MW of electrical power (collectively, the “**65 MW Transaction**”).

E. In connection with the 65 MW Transaction, the parties desire to amend and restate the Original LLC Agreement in substantially the form attached hereto as Exhibit C (the “**Amended and Restated LLC Agreement**”), and enter into a second crypto mining facility and facilitation agreement (the “**Second CFFA**”) in substantially the form attached hereto as Exhibit F.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements hereinafter contained, and for the consideration set forth herein, the receipt and sufficiency of which is hereby acknowledged by the parties, Purchaser and Seller hereby agree as follows:

## **ARTICLE I DEFINITIONS**

In addition to the terms defined elsewhere in this Agreement, the terms below shall have the following meanings. Any of such terms, unless the context otherwise requires, may be used in the singular or plural, depending upon the reference.

“**Business**” shall mean the primary business of the Company which shall be to construct and develop a high-performance computing data center on the Property, and thereafter operate a data center and colocation business at such data center, for the purpose of increasing the profitability of Company and maximizing the value for Seller and Purchaser.

“**Completion**” with respect to a given amount of Megawatts shall mean that Seller has made available Megawatt Space with exclusive access to a cumulative number of Megawatts at least equal to ninety percent (90%) of the specified number of Megawatts, and the Electrical Testing Inspection has passed with respect thereto.

“**Completion Certificate**” means a written certification from Seller to Company in the form of Exhibit A attached hereto, whereby Seller certifies the Completion of a given amount of Megawatt Space.

“**Contract**” means any agreement, contract, obligation, promise, or undertaking (whether written or oral and whether express or implied) that is legally binding.

“**Electrical Testing**” means, with respect to a Megawatt Space, the testing of all Outlets in such Megawatt Space using commercially available electrical testing equipment that is capable of testing for electrical ratings under the standards of the NEC.

“**Electrical Testing Inspection**” means the Electrical Testing for an available Megawatt Space pursuant to the inspection procedures set forth in Exhibit B of this Agreement.

“**Environmental Law**” shall mean any Law or governmental regulation relating to (a) the protection, preservation or restoration of the environment (including, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource); (b) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of, any hazardous substances; or (c) safety issues (including human and occupational safety and health), in each case as amended and as in effect on the date hereof.

“**Environmental Permit**” shall mean any permit, license, review, certification, approval, registration, consent or other authorization issued pursuant to applicable Environmental Laws.

“**Governmental Entity**” means any government, governmental department, commission, board, bureau, agency, court or other instrumentality, whether foreign or domestic, of any country, nation, republic, federation or similar entity or any state, province, county, parish or municipality, jurisdiction or other political subdivision thereof.

“**Laws**” means all applicable federal, state, provincial, local, or non-U.S. laws, statutes, rules, regulations, ordinances, directives, guidelines, judgments, orders (judicial or administrative), decrees, injunctions and writs of any Governmental Entity or any similar provisions having the force or effect of law.

“**Lien**” means any charge, claim, community property interest, mortgage, pledge, condition, hypothecation, equitable interest, lien (statutory or otherwise), preference, priority, option, security agreement, easement, encroachment, right of way, covenant, right of first refusal, restriction or other encumbrance of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any lease having substantially the same effect as any of the foregoing and any assignment or deposit arrangement in the nature of a security device).

“**Megawatt**” means one million watts of electrical power.

“**Megawatt Space**” means dedicated co-location space at the Property with exclusive access to a specified number of Megawatts.

“**NEC**” means the most recent edition of the National Electrical Code adopted for the region covering Akron, Ohio.

“**Order**” means any order, injunction, judgment, decree, ruling, or award of any Governmental Entity or arbitrator.

“**Organizational Documents**” means (a) the articles or certificate of incorporation or formation and the bylaws of a corporation; (b) the articles or certificate of formation, incorporation or organization and limited liability company agreement, operating agreement, or like agreement of a limited liability company; (c) the partnership agreement and any statement of partnership of a general partnership; (d) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (e) any charter or agreement or similar document adopted or filed in connection with the creation, formation, or organization of a Person; and (f) any amendment to or restatement of any of the foregoing.

“**Outlet**” means an energized 20 amp 240 volt C20 outlet located within a Megawatt Space.

“**Penalty Amount**” means an amount that is initially equal to Zero Dollars (\$0.00) but may be increased from time to time (but not decreased) in accordance with [Section 2.1\(f\)](#).

“**Person**” means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or any Governmental Entity.

“**Tax**” (and, with correlative meaning, “**Taxes**,” “**Taxable**” and “**Taxing**”) means any net or gross income, net or gross receipts, net or gross proceeds, capital gains, capital stock, sales, use, user, leasing, lease, transfer, natural resources, premium, ad valorem, value added, franchise, profits, gaming, license, capital, withholding, payroll or other employment, estimated, goods and services, severance, excise, stamp, fuel, interest equalization, registration, recording, occupation, premium, turnover, personal property (tangible and intangible), real property, unclaimed or abandoned property, alternative or add-on, windfall or excess profits, environmental, social security, disability, unemployment or other tax or customs duties or amount imposed by (or otherwise payable to) any Governmental Entity, or any interest, any penalties, additions to tax or additional amounts assessed, imposed, or otherwise due or payable under applicable Laws with respect to taxes, in each case, whether disputed or not.

“**To Warrantors’ knowledge**” or “**to the knowledge of Warrantors**,” or similar words, shall mean the actual knowledge after due inquiry of any member of the executive committee, management or similar governing body of each of the Warrantors.

**ARTICLE II**  
**PURCHASE AND SALE OF THE ADDITIONAL UNITS**

**2.1 Purchase and Sale; Installment Payments.**

(a) Purchase and Sale; Closing. Pursuant to the terms and conditions of this Agreement, and in reliance on the representations, warranties, agreements and indemnities set forth in this Agreement, at the Closing (as defined below), Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, all right, title and interest to the Additional Units, free and clear of any and all Liens other than Liens that are created by Purchaser. The purchase and sale of the Additional Units shall take place remotely via the exchange of documents and signatures, at 11:59 p.m. New York City time on the Effective Date, or at such other time and place as Seller and Purchaser mutually agree upon, orally or in writing (which time and place are designated as the “**Closing**”).

(b) Purchase Price; Installment Payments. On the terms and subject to the conditions set forth herein, the aggregate consideration (the “**Purchase Price**”) to be paid by Purchaser to Seller for the Additional Units will be (i) cash amounts aggregating Nine Million Seven Hundred Eighty Seven Thousand Four Hundred Ninety-Nine Dollars (\$9,787,499) (the “**Cash Payments**”), which Cash Payments shall be paid by wire transfer of immediately available funds to Seller at the account designated in writing by Seller and (ii) the issuance of 1,219,610 Class A ordinary shares of Purchaser (the “**Purchaser Shares**”); provided that Purchaser may elect to pay One Million One Hundred Seventy Four Thousand Four Hundred Eighty-Five Dollars (\$1,174,485) as additional Cash Payments to Seller in lieu of issuing the Purchaser’s Shares in the event that Purchaser determines, in accordance with the written advice of its outside legal counsel, that the issuance of such Purchaser Shares would cause Purchaser or its affiliates to violate applicable securities laws or breach binding “lock-up” obligations in force as of the Effective Date (which determination and legal advice shall be certified in writing by Purchaser to Seller at the time of such election). The Purchase Price shall be paid by Purchaser to Seller in the installments described on Exhibit D subject to and upon the satisfaction of the conditions to payment as described on such Exhibit D (each an “**Installment**” and the date such Installment is due as described on Exhibit D, such Installment’s “**Installment Date**”). Notwithstanding the fact that the payment of the Purchase Price shall become due in multiple installments, Seller hereby acknowledges and agrees that full and complete ownership of the Additional Units has been fully transferred to and held by Purchaser at the Closing and, following the Closing, Seller has no further right, title or entitlement to any interest in respect of the Additional Units other than the Repurchase Option (as defined below).

(c) Use of Proceeds. The Cash Payments shall be used exclusively in connection with the development of the Megawatt Space, and the necessary portion of VDC Facility (as defined in the Second CFFA) in support of the development of the Megawatt Space, unless otherwise agreed to in writing by Seller and Purchaser in advance.

(d) Closing Deliveries.

(i) at the Closing, Purchaser shall deliver, or shall cause to be delivered:

(1) \$4,818,461 in Cash Payments by wire transfer of immediately available funds to Seller to the account designated in writing by Seller; and

(2) the Amended and Restated LLC Agreement, duly executed by Purchaser.

(ii) at the Closing, Warrantors shall deliver, or shall cause to be delivered:

(1) the Amended and Restated LLC Agreement, duly executed by Seller and Company;

(2) an assignment agreement for the assignment and transfer from Seller to Company of certain assets and equipment, which are as listed under Exhibit A thereto, in substantially the form attached hereto as Exhibit E (the “**Seller Assignment**”), duly executed by Seller and Company;

(3) the Second CFFA, duly executed by Seller and Company;

(4) the master retail electricity sales agreement agreement for the supply and purchase of a total of 150 Megawatts electrical power in the wholesale market, duly executed by Company and EDF Energy Services, LLC (the “**Master Retail Electricity Sales Agreement**”); and

(5) the grant deed of the Property by Maxion Wheels Akron LLC, a Delaware limited liability company, as the grantor, in favor of Viking Real Estate, as the grantee, duly recorded with the applicable Governmental Entity (the “**Recorded Grant Deed**”).

(e) Completion. Seller agrees and undertakes that it shall use its best efforts to procure the occurrence of (i) the Completion of twenty-five (25) Megawatts on or before February 15, 2022 (the “**First Construction Milestone**”), (ii) the Completion of sixty-five (65) Megawatts on or before March 31, 2022 (the “**Second Construction Milestone**,” and together with the First Construction Milestone, collectively the “**Construction Milestones**” and the date of each Construction Milestone, the “**Milestone Date**” for such Construction Milestone). Seller further undertakes that it will deliver a Completion Certificate with respect to each Construction Milestone described in the foregoing sentence on or prior to the Milestone Date.

(f) Penalty Amount. In the event that a Completion does not occur on or before the applicable Milestone Date specified in Section 2.1(e), then each calendar day until such Completion has occurred, the Penalty Amount will be increased by Three Hundred Dollars (\$300.00) for each Megawatt for which Megawatt Space has not been made available and passed its Electrical Testing Inspection; provided, however, that the Penalty Amount shall under no circumstances exceed One Million Three Hundred Thousand Dollars (\$1,300,000). Notwithstanding anything in Section 2.1(b) or Exhibit D to the contrary, in the event that the Penalty Amount is greater than Zero Dollars (\$0.00), Purchaser may, by written notice delivered to Seller, reduce the aggregate amount of the Cash Payments payable in one or more future Installments by an amount equal to such Penalty Amount (with such reduction to be allocated among such Installments in the discretion of Purchaser as notified to Seller in writing). The Warrantors acknowledge and agree that the Warrantors (excluding Company) shall be jointly and severally liable for the Penalty Amount.

(g) Electrical Testing Inspection. The parties hereto acknowledge and agree that the Electrical Testing Inspection shall be conducted according to the procedures and standards as set forth in Exhibit B hereto.

## **2.2 Repurchase Option**

(a) Repurchase. In addition to any other rights Seller may have hereunder or under applicable law, in the event that Purchaser fails to pay in full any Installment (as may be reduced in

accordance with Section 2.1(f) within twenty-one (21) calendar days of the applicable Installment Date (the “**Grace Period**”), Seller shall have an irrevocable option (the “**Repurchase Option**”), for a period of ninety (90) calendar days after the end of the Grace Period (the “**Repurchase Period**”), to repurchase from Purchaser all Unearned Units (as defined below) at a repurchase price equal to \$0.001 per Unearned Unit (the “**Option Price**”); provided that should Seller fail to deliver the Completion Certificate on or prior to the applicable Milestone Date (*i.e.*, a Construction Milestone does not occur) for any Construction Milestone scheduled to complete on or before any applicable Installment Date, Seller shall not be entitled to exercise the Repurchase Option with respect to any then past-due Installment of payments.

(b) Unearned Units.

(i) Upon the first instance of Purchaser failing to pay in full any Installment within the Grace Period, the number of Unearned Units shall be determined in accordance with the following formula:

$$\text{Unearned Units} = 4,000 \times (\text{UV} / \text{AV})$$

Where:

“**Unearned Units**” means the number of Additional Units of Company owned by Purchaser that are then subject to the Repurchase Option, which number (i) shall be rounded down to the nearest whole number and (ii) shall not be less than zero (0).

“**UV**” means the amount of the Installment Purchaser fails to pay for the first time.

“**AV**” means the aggregate deemed value of the Purchase Price less the then-current Penalty Amount, which shall initially be \$10,961,860.

(ii) Upon any additional instance of Purchaser failing to pay in full any Installment within the Grace Period, the number of Unearned Units shall be determined in accordance with the following formula:

$$\text{Unearned Units} = 4,000 \times ((\text{AV} - (\text{C} + (\text{E} \times \text{EV}))) / \text{AV})$$

Where:

“**Unearned Units**” shall have the meaning as stated above.

“**C**” means the aggregate amount of the Cash Payments actually made by Purchaser to Seller;

“**E**” means the number of Purchaser Shares actually issued to Seller by Purchaser as part of the Purchase Price;

“**EV**” means the deemed value of each Purchaser Share, which shall be equal to \$0.963; and

“**AV**” shall have the meaning as stated above.

(c) Exercise of Repurchase Option. Seller shall be deemed to have exercised the Repurchase Option as of the last day of the Repurchase Period, unless an officer of Seller notifies Purchaser

during the Repurchase Period in writing that Seller expressly declines to exercise its Repurchase Option for some or all of the Unearned Units. Upon exercise of the Repurchase Option, Seller shall pay to Purchaser the aggregate Option Price for the Unearned Units being repurchased by cash or cash equivalents. Upon exercise of the Repurchase Option and payment of the purchase price in any of the ways described above, Seller shall become the legal and beneficial owner of the Unearned Units being repurchased and all rights and interest therein or related thereto, and Seller shall have the right to transfer to its own name the Unearned Units being repurchased by Seller, without further action by Purchaser. Upon Seller's exercise of the Repurchase Option when Purchaser fails to pay in full the Installment for the second time, Purchaser shall have no obligation to pay any additional Installments of the Purchase Price pursuant to Section 2.1(b). Notwithstanding any other provisions hereunder, if Purchaser has made the full payment (the "**Remedy Payment**") for the unpaid portion of the applicable Installment(s) prior to Seller's exercise of the Repurchase Option, Seller's right to exercise such Repurchase Option corresponding to the Remedy Payment shall not be exercised with respect to such previously unpaid portion of Installment(s).

(d) Adjustments to Class A Units. If, from time to time, during the term of the Repurchase Option, there is any change affecting Company's outstanding Class A Units that is effected without the receipt of consideration by Company (through merger, consolidation, reorganization, reincorporation, distribution in property other than cash, unit split, combination of units, change in corporation structure or other transaction not involving the receipt of consideration by Company), then any and all new, substituted or additional securities or other property to which Purchaser is entitled by reason of Purchaser's ownership of the Additional Units shall be immediately subject to the Repurchase Option and be included in the term "Additional Units" for all purposes of the Repurchase Option with the same force and effect as the Additional Units presently subject to the Repurchase Option, but only to the extent such Additional Units are, at the time, covered by such Repurchase Option. While the aggregate Option Price shall remain the same after each such event, the Option Price per Unearned Unit upon exercise of the Repurchase Option shall be appropriately adjusted.

### **ARTICLE III REPRESENTATIONS AND WARRANTIES**

**3.1 Representations and Warranties of Warrantors**. Each Warrantor hereby, jointly and severally, represents and warrants to Purchaser, as of the Effective Date, as of the Closing, and as of each Installment Date that, except as set forth in the Disclosure Schedules attached as Exhibit G hereto (the "**Disclosure Schedules**"), the following representations are true and complete.

(a) Title to Additional Units.

(i) The issued and outstanding membership interests of Company, immediately prior to the Closing, are set forth on Schedule 3.1(a) of the Disclosure Schedules, all of which membership interests are duly authorized, validly issued and fully paid and are held of record, immediately prior to the Closing, by such Persons as set forth on Schedule 3.1(a) of the Disclosure Schedules.

(ii) Seller is the sole legal, record and beneficial owner of, and has good and valid title to, the Additional Units. The Additional Units are free and clear of any Liens, limitation or restriction except for restrictions on transfer imposed by applicable securities Laws and restrictions set forth in the Amended and Restated LLC Agreement.

(iii) Seller is not a party to any option, warrant, purchase right or other Contract or commitment that requires or permits Seller to purchase, sell, transfer or otherwise dispose of any equity interest of Company, except pursuant to the express terms of the Prior Purchase Agreement, this Agreement and the Amended and Restated LLC Agreement.



(iv) Seller has not pledged, assigned, transferred or otherwise encumbered the Additional Units.

(v) Upon the consummation of the 65 MW Transaction, Purchaser will acquire good, marketable and valid title to the Additional Units, fully paid and nonassessable, free and clear of any Liens (except for restrictions on transfer imposed by applicable securities Laws, restrictions set forth in the Amended and Restated LLC Agreement, or that are created by Purchaser).

(vi) The Additional Units have been duly authorized and validly issued, and were not issued in violation of any Law, Contract binding upon Company or preemptive rights to which any person is or was entitled.

(vii) The Prior Purchased Units and Additional Units constitute fifty-five percent (55%) of the issued and outstanding equity interests in Company.

(b) Organization, Standing and Qualification. Each Warrantor has been duly organized and is validly existing and is in good standing under the Laws of the jurisdiction of its incorporation or organization and has all requisite right, power and authority necessary to own and operate its properties, and to carry out its business as presently conducted and as proposed to be conducted. All governmental approvals, permits, licenses, authorizations, certifications, registrations, and filings which are required to be obtained or made by any Warrantor under applicable Laws in connection with the due and proper establishment of each Warrantor are not in default, and are in full force and effect. Seller or Company does not need any permit for crypto-mining operations in the State of Ohio. There are no application noise restrictions in Summit County, Ohio. The Warrantor is duly qualified to transact business and is in good standing in each jurisdiction in which the nature of its business or the location of its assets requires it to be so qualified.

(c) Authority; Binding Obligation. The Warrantor has the requisite power and authority to enter into and deliver this Agreement and to carry out its obligations hereunder and to consummate the 65 MW Transaction. This Agreement has been or prior to delivery will be duly executed and delivered by the Warrantor and, assuming due authorization, execution and delivery by Purchaser and any other party thereto, constitutes a legal, valid and binding obligation of the Warrantor, enforceable against the Warrantor, in accordance with its terms, subject to (i) the application of bankruptcy, receivership, conservatorship, reorganization, insolvency and similar Laws affecting creditors' rights generally and (ii) equitable principles being applied at the discretion of a court before which any proceeding may be brought ((i) and (ii), together, the “**Enforcement Qualifications**”).

(d) Consents and Approvals. No consent, approval, easement relocations or abandonments, authorization, filing or registration is required to be made or obtained by any Warrantor in connection with the execution and delivery of this Agreement by the Warrantor, nor for the consummation by the Warrantor of the 65 MW Transaction (i) from any Governmental Entity under the requirements of any applicable Law or (ii) under the terms of any Organizational Documents of the Warrantor, in each case which has not been made or obtained.

(e) No Violation. The execution and delivery by the Warrantor of this Agreement and the consummation of the 65 MW Transaction do not and will not (i) result in any violation of any Organizational Documents of such Warrantor or (ii) conflict with or violate any Law, rule, regulation, Order, writ, judgment, injunction, decree, determination, award, agreement, contract or obligation applicable to such Warrantor, or by which the Additional Units are bound.

(f) Insolvency. The Warrantor has not (i) made a general assignment for the benefit of creditors; (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors; (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets; or (iv) suffered the attachment or other judicial seizure of all, or substantially all, of its assets.

(g) No Litigation. There are no legal proceedings pending or, to the knowledge of Warrantors, threatened that (a) relate to or affect the Additional Units or (b) challenge or seek to prevent, enjoin or otherwise delay the ability of the Warrantor to enter into this Agreement or the other closing documents deliverable by such Warrantor or consummate the transactions contemplated hereby or thereby. To the knowledge of Warrantors, no event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such proceeding.

(h) No Undisclosed Liability. Except as otherwise disclosed to Purchaser in writing, the Warrantor has no other liability or obligation, absolute or contingent (individually or in the aggregate).

(i) Title to Property and Assets; Condition and Sufficiency of Assets.

(i) Each Warrantor has good and valid title to, or a valid leasehold interest in, all property (including intellectual property and real property) and assets (the “**Assets**”) owned or leased by it as of the date of this Agreement.

(ii) The Assets are free and clear of all Liens, except for statutory liens for the payment of current taxes that are not yet delinquent. With respect to the Property, except as set forth in Section 3.1(i) of the Disclosure Schedules, Viking Real Estate is the sole registered legal and beneficial owner of the Property and any building erected on the land, free and clear of any Liens. To the knowledge of the Warrantors, all structures, improvements and appurtenances on the Property lie wholly within the boundaries of such Property and do not encroach upon the property of, or otherwise conflict with the property rights of, any adjoining property owner. To the knowledge of the Warrantors, all buildings, plants, structures and improvements on the Property, and appurtenances thereto, and the roof, walls and other structural components which are part thereof, and the heating, air conditioning, plumbing and other mechanical facilities thereof, are in good condition and repair in all respects for their intended use (reasonable wear and tear excepted) and without structural defects. With respect to the Assets the Warrantor leases, such Warrantor is in compliance with such leases and such leasehold interest is enforceable against such Warrantor and the lessors, and is free of any Liens other than those of the lessors of such Assets. With respect to the tangible personal property included in the Assets, including the furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property, such Assets are structurally sound, are in good operating condition and repair, and are adequate for the uses to which they are being put, and none of such furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost.

(iii) The Assets are sufficient for the continued conduct of the Business after the Closing in the manner as contemplated and agreed by the Warrantors and Purchaser and constitute all of the rights, property and assets, tangible and intangible, of any nature whatsoever, necessary to operate and conduct the Business.

(j) Infringement, Misappropriation and Claims. No Warrantor has violated, infringed or misappropriated any intellectual property of any other Person, nor has any Warrantor received any written notice alleging any of the foregoing. (a) To the knowledge of the Warrantors, no Person has violated, infringed or misappropriated any intellectual properties of any Warrantor and (b) no Warrantor

has given any written notice to any other Person alleging any of the foregoing. No Person has challenged the ownership or use of any intellectual properties by a Warrantor, orally or in writing. No Warrantor has agreed to indemnify any Person for any infringement, violation or misappropriation of any intellectual property by such Person.

(k) Insurance. Each Warrantor has procured and maintained, in full force and effect, the insurance policies concerning such casualties as would be reasonable and customary for companies like the Warrantor, with extended coverage, sufficient in amount (subject to reasonable deductions) to allow it to replace any of its properties that might be damaged or destroyed.

(l) Securities Laws. Neither Seller nor anyone acting on Seller's behalf has offered the Additional Units to the public or engaged in any general solicitation or general advertising with respect to the offer and sale of the Additional Units.

(m) Compliance with Laws. Each of the Warrantors has been in material compliance with applicable Laws, and none of the Warrantors have received any written notices of any violation with respect to such Laws, except for violations that are immaterial, have been cured or are no longer being asserted. To the Warrantors' knowledge, no event has occurred, and no condition or circumstance exists, that will (with or without notice or lapse of time) constitute or result in a violation by a Warrantor of, or a failure on the part of a Warrantor to comply with, any Law that has not been resolved or cured. Upon the Completion of each Construction Milestone, the Megawatt Space will comply with any and all applicable local, state and federal laws, regulations, industrial requirements and norms. The substance of the 65 MW Transaction with Purchaser will be protected by local, state, and federal laws and regulations in all aspects. No certificate of occupancy is required for any construction or development on the Property as contemplated in connection with the 85 MW Transaction and the 65 MW Transaction.

(n) Material Contracts. All material contracts for the Business and the consummation of the transactions contemplated hereby and thereby to which any Warrantor is a party are listed in Schedule 3.1(n) of the Disclosure Schedules (each, a "**Material Contract**"). Each Material Contract is a valid, binding and enforceable agreement of the parties thereto, subject to the Enforcement Qualifications, the performance of which does not violate any applicable Laws, and is in full force and effect, has been duly authorized and executed and the terms thereof have been complied with by the relevant Warrantor (and no Warrantor is in default of the performance, observance or fulfilment of any of its obligations, covenants or conditions contained in such Material Contract) and, to the best knowledge of each Warrantor, by all the other parties thereto. To the knowledge of each Warrantor, there are no circumstances likely to give rise to any breach of such terms, there are no grounds for rescission, avoidance or repudiation of any of the Material Contracts, no notices of violation, default, termination or intention to terminate (whether or not such notice is in writing) have been received in respect of any Material Contract, and to the knowledge of each Warrantor, no counterparty to any Material Contract has indicated any intention to terminate any such contract prior to the expiration of its term.

(o) Environmental Matters. Except as otherwise disclosed under Schedule 3.1(o) of the Disclosure Schedules, the Warrantor is in material compliance with all applicable Environmental Laws. No Warrantor has received any written notices, demand letters or requests for information from any Governmental Entity indicating that such Warrantor is or may be in violation of, or be liable under, any Environmental Law, and no Warrantor is subject to any pending or, to Warrantors' Knowledge, threatened action or investigation by any Governmental Entity under any Environmental Law. Except as otherwise disclosed under Schedule 3.1(o) hereto, to the Warrantors' knowledge, no current or prior owner of any property leased or controlled by a Warrantor has received any written notice from a Governmental Entity during the past six years that alleges that such current or prior owner or the Warrantor is materially violating any Environmental Law. The Warrantor are in compliance in all material respects with, and have no

material liability under, any provisions of leases relating in any way to any Environmental Laws or to the use, management or release of hazardous substances under such leases. All Environmental Permits, if any, required to be obtained by the Warrantor under any Environmental Law in connection with its operation as it is currently being conducted, including those relating to the management of hazardous substances, have been obtained by the Warrantor, are in full force and effect, and the Warrantor is in material compliance with the terms thereof. The Warrantor has not disposed of or released any hazardous substances on, in or under any real property that would reasonably be expected to require remediation under Environmental Laws.

(p) Disclosure. The Warrantor has made available to Purchaser all the information reasonable available to the Warrantor that Purchaser has requested for deciding whether to acquire the Additional Units, including certain of the Warrantor's projections describing its proposed business plan (the "**Business Plan**"). No representation or warranty of the Warrantor contained in this Agreement and the exhibits hereto, and no certificate furnished or to be furnished to Purchaser at the Closing, contains any untrue statement of a material fact or, to the Warrantors' knowledge, omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. The Business Plan was prepared in good faith; however, the Warrantor does not warrant that it will achieve any results projected in the Business Plan. It is understood that this representation is qualified by the fact that the Warrantor has not delivered to Purchaser, and has not been requested to deliver, a private placement or similar memorandum or any written disclosure of the types of information customarily furnished to purchasers of securities.

(q) Foreign Corrupt Practices Act. Neither the Warrantor nor any of its directors, officers, employees or agents have, directly or indirectly, made, offered, promised or authorized any payment or gift of any money or anything of value to or for the benefit of any "foreign official" (as such term is defined in the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "**FCPA**")), foreign political party or official thereof or candidate for foreign political office for the purpose of (i) influencing any official act or decision of such official, party or candidate, (ii) inducing such official, party or candidate to use his, her or its influence to affect any act or decision of a foreign governmental authority, or (iii) securing any improper advantage, in the case of (i), (ii) and (iii) above in order to assist any Warrantor in obtaining or retaining business for or with, or directing business to, any Person. Neither the Warrantor nor any of its directors, officers, employees or agents have made or authorized any bribe, rebate, payoff, influence payment, kickback or other unlawful payment of funds or received or retained any funds in violation of any law, rule or regulation. Neither the Warrantor, nor to the Warrantors' knowledge, any of its officers, directors or employees are the subject of any allegation, voluntary disclosure, investigation, prosecution or other enforcement action related to the FCPA or any other anti-corruption law.

(r) Critical Technology. Company does not produce, design, test, manufacture, fabricate, or develop one or more "critical technologies" within the meaning of the Defense Production Act of 1950, as amended, including all implementing regulations thereof, and has no current intention of engaging in such activities in the future.

(s) Operation. DAS and Seller's operation on the VDC Facility (as defined in the Second CFFA) and the Property (including creating any Liens on the VDC Facility or the Property) will not result in or cause any adverse effect or impact on Company's Business or its operation of the Megawatt Space.

**3.2 Representations and Warranties of Purchaser**. Purchaser hereby represents and warrants to Seller, as of the Effective Date, as of the Closing, and as of each Installment Date as follows:

(a) Organization and Existence. Purchaser has been duly organized and validly existing and is in good standing under the Laws of the Cayman Islands and has all requisite right, power and authority necessary to own, lease and operate all of its property and to carry on its business as it is now being carried on.

(b) Authority; Binding Obligation of Purchaser. Purchaser has all requisite power and authority to enter into this Agreement, to carry out its obligations hereunder and to consummate the 65 MW Transaction. This Agreement has been duly authorized, executed and delivered by Purchaser and, assuming due authorization, execution and delivery by Seller and any other party thereto, this Agreement shall constitute a legal, valid and binding obligation of Purchaser enforceable against it in accordance with its terms, subject to the Enforcement Qualifications.

(c) Consents and Approvals. No consent, approval or authorization of any non-governmental third party, and no consent, approval, authorization or declaration of, or filing or registration with, any Governmental Entity, is required to be made or obtained by Purchaser in connection with the execution and delivery of this Agreement by Purchaser or the consummation by Purchaser of the 65 MW Transaction.

(d) No Violation. The execution and delivery by Purchaser of this Agreement and the consummation of the 65 MW Transaction do not and will not (i) result in any violation of any Organizational Documents of Purchaser, (ii) result in any breach or default under any contract or permit to which Purchaser is a party or by which the assets or properties of Purchaser are subject (or result in the imposition of any Liens, charges, encumbrances, pledges, covenants, conditions, restrictions, and adverse claims or rights upon any of such assets or properties), or (iii) conflict with or violate any Law, rule, regulation, Order, writ, judgment, injunction, decree, determination, award, agreement, contract or obligation applicable to Purchaser or by which any of the assets or properties of Purchaser are bound.

(e) Investment Intent. Purchaser is aware of Company's financial condition and has acquired sufficient information about Company to reach an informed and knowledgeable decision to acquire the Additional Units. Purchaser is purchasing the Additional Units for investment for its own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "**Securities Act**").

Purchaser does not presently have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participations to such Person or to any third party with respect to any of the Additional Units. Purchaser understands that the Additional Units have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein. Purchaser understands that the Additional Units are "restricted securities" under applicable U.S. federal and state securities Laws and that, pursuant to these Laws, Purchaser must hold the Additional Units indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or unless an exemption from such registration and qualification requirements is available. Purchaser acknowledges that Company has no obligation to register or qualify the Additional Units for resale. Purchaser further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Additional Units, and requirements relating to Company which are outside of Purchaser's control, and which Company is under no obligation and may not be able to satisfy.

(f) Due Diligence. Purchaser (i) has had an opportunity to ask questions of, and receive answers from, Seller regarding Company and the Property and the business, properties, prospects, and financial condition thereof, which questions were answered to its satisfaction, (ii) believes it has been furnished with such financial, legal, technical, personnel and operating data, and other information, as

Purchaser reasonably requested and (iii) understands that any business plans prepared on behalf of Company have been, and continue to be, subject to change and that any projections included in such business plans or otherwise are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results, but were prepared in good faith. Purchaser acknowledges that it has made its own independent examination, investigation, analysis, and evaluation of Company and the Property, including Purchaser's own estimate of the value of Company. Purchaser acknowledges that it has undertaken such due diligence (including a review of the assets, liabilities, books, records, and contracts of Company) as Purchaser deems adequate, including that described above.

(g) Independent Tax Advice. Purchaser has consulted any Tax consultants Purchaser deems advisable in connection with the purchase of the Additional Units, and Purchaser is not relying on Seller or Company for any Tax advice.

(h) Accredited Investor. Purchaser is an "accredited investor" within the meaning of Regulation D, Rule 501(a), or otherwise qualifies under the "safe harbor" provisions of Rule 506 of Regulation D for the private offering exemption available under Section 4(a)(2) of the Securities Act, as promulgated by the Securities and Exchange Commission.

#### **ARTICLE IV OTHER COVENANTS**

**4.1** DAS, Seller and Company shall, jointly and severally, have obligations to, and shall procure each other to undertake the obligations to, construct, refurbish and otherwise improve the Megawatt Space and procure the readiness and fitness of the Megawatt Space for the installation, testing and operation of the equipment, machinery, server, system and other facilities (the "**Facilities**") necessary for the operation of the Business.

**4.2** DAS, Seller and Company shall, jointly and severally, and shall procure each other to, maintain the Megawatt Space and all the Facilities therein in good conditions so that the Megawatt Space and the Facilities are suitable for the operation of the Business in accordance with applicable Laws and industrial standards in respect of such Business.

**4.3** The Warrantors shall, jointly and severally, procure the Completion of the Megawatts pursuant to Section 2.1(e) of this Agreement and the delivery of such Megawatts to the Megawatt Space.

**4.4** To the extent that any permits, licenses, approvals, authorizations and any similar issued by a relevant Governmental Authority ("**Licenses**") are necessary for the due and proper operation of the Business, but have not been obtained by the Closing, the Warrantors covenant to obtain all such Licenses and maintain the same in full force and effect so long as Company operates such Business.

**4.5** Without prejudice to and in addition to such other obligations of the Warrantors as provided under this Agreement, the Warrantors shall maintain all the other parts of the Property other than the Megawatt Space in proper condition so that the use of the Megawatt Space for the purpose of the Business will not be adversely affected.

**4.6** The parties intend to treat the 65 MW Transaction, for federal and state income tax purposes, as a purchase of partnership interests. The parties shall cause Company to make an immediate election pursuant to Section 754 of the Internal Revenue Code.

**4.7** DAS, Seller and Viking Real Estate covenant that appropriate remediation of the environmental matters identified with respect to the Property will occur in accordance with the EPA-compliant environmental operations and maintenance plan as attached as Exhibit H hereto.

**4.8** CFIUS Covenant. In the event that the Committee on Foreign Investment in the United States (“CFIUS”) requests or requires a filing, Purchaser and the Warrantors shall respectively use reasonable best efforts to: (A) provide as promptly as practicable to each other’s counsel and to CFIUS any additional or supplemental information and documentary material as may be necessary, proper, or advisable in connection with preparation and submission of the filing and thereafter to complete the filing and obtain approval or equivalent clearance from CFIUS in respect of the transactions contemplated hereunder (“**CFIUS Clearance**”); (B) permit the other party to review reasonably in advance any communication (subject to mutually acceptable appropriate redactions to maintain confidentiality of business information) proposed to be given by it to CFIUS, and consult with each other in advance of any meeting or conference with CFIUS, and, to the extent permitted by CFIUS, give the other party reasonable opportunity to attend and participate in any such meeting or conference; and (C) keep each other timely apprised of the status of any communications with, and any inquiries or requests for additional information or documentary material from, CFIUS, in each case (A)-(C), to the extent permitted by applicable law and subject to customary and mutually acceptable confidentiality practices and all applicable privileges (including the attorney-client privilege). Notwithstanding the previous sentence, Purchaser shall have no obligation to take or accept any action, condition, or restriction as a condition of CFIUS Clearance.

**4.9** Right of First Negotiation. During the period commencing on the date of Closing and ending on the date that is three (3) years after the date of Closing (the “**ROFN Period**”), if Seller determines to lease, license, or otherwise dispose of any additional Megawatt Space within the VDC Facility, including, but not limited to, through the sale of any additional equity interest of Company that confers the exclusive access to such Megawatt Space (each a “**Covered Transaction**”), Seller shall not, directly or indirectly through an Affiliate, enter into negotiations or consummate any transaction relating in any way to a Covered Transaction with any Person other than Purchaser except in compliance with the terms and conditions of this Section 4.9. Seller shall notify Purchaser in writing (the “**Seller Notification**”) of the availability of any such additional Megawatt Space within the VDC Facility (“**Additional Megawatt Space**”) and, within five (5) business days after the receipt of the Seller Notification, Purchaser shall notify Seller of its desire to engage in negotiations with Seller regarding a potential Covered Transaction regarding the Additional Megawatt Space (the “**Purchaser Notification**”). Seller shall engage in exclusive good faith negotiations with Purchaser to reach agreement on the terms and conditions for a Covered Transaction regarding the Additional Megawatt Space for a period of twenty (20) business days after receipt of the Purchaser Notification (the “**Negotiation Period**”), which shall subject to extension as agreed upon by Seller and Purchaser. If the parties are not able to reach an agreement during the Negotiation Period or the Purchaser does not send a Purchaser Notification, then Seller may enter into negotiations with any third party regarding a Covered Transaction for the Additional Megawatt Space specifically described in the Seller Notification; provided that such Covered Transaction with any third party shall be in compliance with the relevant terms in the Amended and Restated LLC Agreement. For clarity, for any other additional Megawatt Space not described in the Seller Notification or becoming available after the Negotiation Period, Seller shall not enter into negotiations or consummate any transaction relating in any way to a Covered Transaction with any third party regarding such additional Megawatt Space unless it complies with this Section 4.9 again.

## ARTICLE V GENERAL PROVISIONS

**5.1** Survival of Warranties. Unless otherwise set forth in this Agreement, the representations and warranties of the Warrantors contained in or made pursuant to this Agreement shall survive the

execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation or knowledge of the subject matter thereof made by or on behalf of Purchaser or the Warrantors. The Warrantors hereby acknowledge that, regardless of any investigation made (or not made) by or on behalf of Purchaser, and regardless of the results of any such investigation, Purchaser has entered into this Agreement and the transactions contemplated hereby in express reliance upon the representations and warranties of the Warrantors contained in or made pursuant to this Agreement. The rights of Purchaser to any recovery or remedy arising out of or in connection with this Agreement shall not be impacted or limited by any knowledge that Purchaser may have acquired, or could have acquired, whether before or after the date hereof or the Closing, nor by any investigation or diligence by such Purchaser.

## **5.2 Indemnification.**

(a) Each of the Warrantors hereby agrees and undertakes to jointly with the other Warrantors and severally indemnify, defend and hold harmless Purchaser and its affiliates and their respective officers, duly authorized representatives, directors, duly engaged agents, employees and partners (each, an “**Indemnified Party**”) from and against any and all losses, damages, liabilities, claims, diminution in the value of Company, the business of Company or the Indemnified Party’s investment in Company, proceedings, costs, expenses (including but not limited to the fees, disbursements and other charges of counsel incurred by any Indemnified Party in any action between any Warrantor and any Indemnified Party, or any action which is between any Indemnified Party and any third party and is related to any Warrantor, in connection with any investigation or evaluation of a claim or otherwise), penalties and interest (collectively, the “**Losses**”) resulting directly or indirectly from or arising directly or indirectly out of any breach by any Warrantor of any of the Warrantors’ representations and warranties or other representations, covenants or agreements in this Agreement or any other documents for the 65 MW Transaction, or default by any Warrantor of any documents or agreements in connection with the Liens on the Property or the underlying loan documents in connection therewith.

(b) The obligations of each of the Warrantors (except for Company) under this Section 5.2 shall not be reduced, offset, eliminated or subject to contribution by reason of any action or inaction by Company prior to the Closing and the closing of the 85 MW Transaction that contributed to any inaccuracy or breach giving rise to such obligation, it being understood and agreed that the Warrantors (except for Company), and not Company, shall be responsible for the applicable indemnity obligations under Section 5.2(a). Each of the Warrantors (except for Company) agrees that such party will not seek, nor will any Warrantors (except for Company) be entitled to, reimbursement or contribution from, subrogation to, or indemnification by Company, under its Organizational Documents, this Agreement, applicable Laws or otherwise, in respect of any amounts due from the Warrantors (except for Company) to any Indemnified Party under this Section 5.2 or otherwise in connection with this Agreement. Each of the Warrantors (except for Company) further agrees not to make any claims against any directors and officers insurance policy maintained or to be maintained by or for the benefit of Company in respect of amounts due by the Warrantors (except for Company) to any Indemnified Party under this Section 5.2 or otherwise in connection with this Agreement.

**5.3 Further Assurances; Cooperation.** Following the Closing, subject to the terms and conditions of this Agreement, the parties hereto will use all commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable Laws to consummate the 65 MW Transaction, including but not limited to the following:

(a) Seller shall keep Purchaser promptly apprised of any material developments regarding Company’s execution of Company’s strategy to obtain 65 Megawatts of electric power at an annual average unit price of no greater than \$0.038/KWH, including through Seller’s prompt delivery to



Purchaser of copies of (i) the power company's recommendations as to 65 Megawatts of electrical power to be delivered to Seller and (ii) the detailed load study with respect to Seller's power needs;

(b) as soon as possible after the Closing, but in no event later than the occurrence of the First Construction Milestone, Seller and Company will obtain or cause to be obtained necessary insurance policies with coverage and terms reasonably acceptable to Purchaser; and

(c) as soon as possible after the Closing, but in no event later than the occurrence of the First Construction Milestone, DAS, Seller, and Company will prepare and implement a set of work safety compliance policies consistent with applicable Laws and relevant industrial and safety standards.

**5.4 Severability.** Should any provision or portion of this Agreement be held unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

**5.5 Governing Law.** This Agreement shall be construed in accordance with, and governed by, the internal Laws of the State of New York applicable to contracts entered into herein, without regard to conflicts of laws principles.

**5.6 Dispute Resolution.** Any dispute, controversy or claim arising out of or relating to this Agreement, including the formation, interpretation, breach or termination thereof, including whether the claims asserted are arbitrable, will be referred to and finally determined by arbitration in accordance with the JAMS International Arbitration Rules. The place of arbitration will be Akron, Ohio, the United States. The language to be used in the arbitral proceedings will be English. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

**5.7 Expenses.** Except as otherwise provided in this Agreement, each party shall pay its own costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants incurred in connection with this Agreement and the 65 MW Transaction.

**5.8 Amendment; Waiver.** This Agreement may not be amended or modified except by an instrument in writing signed by Seller and Purchaser. No failure on the part of any party hereto to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof.

**5.9 Entire Agreement; Headings.** This Agreement, the Second CFFA, and the Amended and Restated LLC Agreement constitute the entire agreement among the parties hereto relating to the 65 MW Transaction and supersede all prior agreements and understandings, both written and oral, with respect to the subject matter hereof. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

**5.10 Notices.** Any notice or other communication required or permitted to be given to any of the parties to this Agreement shall be in writing and shall be deemed to have been duly given (i) if personally delivered, upon delivery, (ii) if sent by facsimile or e-mail (with confirmation of transmission) during normal business hours of the recipient on a business day, when sent (or, if not sent on a business day or after normal business hours of the recipient, on the next business day), (iii) if sent by a nationally recognized overnight courier service, on the date of delivery to such service, or (iv) if sent by mail (certified or registered), on the date on which the piece of mail containing such communication is posted, in each case addressed as set forth below. Any notice delivered pursuant to this Agreement shall be deemed to be received, and the time to respond to such notice shall commence to run, on the date of actual delivery at the appropriate addresses (or attempted delivery if delivery is refused during normal business hours on a business day).

If to Seller, to: Viking Data Centers LLC  
121 Wilbur Drive NE  
North Canton, NE 44720

with a copy to: Margaret N. Rosenfeld  
Partner  
K&L Gates LLP  
599 Lexington Avenue  
New York, NY 10022  
  
Tel: +1 (212) 536 4826  
E-mail: Margaret.Rosenfeld@klgates.com

If to Purchaser: Bo Yu  
Director  
BIT Mining Limited  
Units 813 & 815, Level 8, Core F, Cyberport 3,  
100  
Cyberport Road, Hong Kong  
  
Tel: +1 (346) 204 8537  
Email: yub@btc.com

with a copy to: Henry Yin  
Partner  
Cooley LLP  
China World Office 2, Suite 1808, No. 1  
Jianguomenwai Avenue, Beijing, 100004  
  
Tel: +86 10 85400699  
E-mail: henry.yin@cooley.com

**5.11 Binding Effect; Assignment.** This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors and permitted assigns. Nothing in this Agreement shall create any third-party beneficiary rights in any Person not a party to this Agreement. No assignment of this Agreement or of any rights or obligations hereunder may be made by any party without the prior written consent of the other parties; *provided, however,* that such assignment shall not release the assigning party from its obligations, agreements and liabilities hereunder and the assignee shall in writing to be bound by, and shall assume, all of the assigning party's obligations, agreements, covenants, indemnities, representations and warranties hereunder; *provided further* that Purchaser may assign this Agreement to one of its Affiliates without such prior written consent and upon such assignment, Purchaser shall have no obligations whatsoever hereunder. Any attempted assignment without the required consent shall be void *ab initio*.

**5.12 Counterparts.** This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. For purposes hereof, a signature page in .pdf format has the same force and effect as an original. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the parties hereby have entered into this Membership Interest Purchase Agreement on the date first above written.

**SELLER:**

Viking Data Centers LLC a  
Delaware corporation

By: /s/ Soffia Gudrun Wathne

Name: Soffia Gudrun Wathne

Title: Authorized Signatory

**PURCHASER:**

BIT Mining Limited  
a Cayman Islands exempted company with limited liability

By: /s/ Bo Yu

Name: Bo Yu

Title: Director

*[Signature Page to Membership Interest Purchase Agreement]*

IN WITNESS WHEREOF, the parties hereby have entered into this Membership Interest Purchase Agreement on the date first above written.

**Warrantors:**

Asgard Data Centers LLC  
a Delaware corporation

By: /s/ David Stanfill

Name: David Stanfill

Title: President and Chief Executive Officer

DAS Factory, LLC  
a Delaware corporation

By: /s/ David Stanfill

Name: David Stanfill

Title: Authorized Signatory

Viking Real Estate Holdings LLC  
a Delaware corporation

By: /s/ David Stanfill

Name: David Stanfill

Title: Authorized Signatory

*[Signature Page to Membership Interest Purchase Agreement]*

**EXHIBIT A**

**Form of Completion Certificate**

**COMPLETION CERTIFICATE**

[Date]

Pursuant to Section 2.1(e) of that certain Membership Interest Purchase Agreement, dated as of September [22], by and among Viking Data Centers LLC (“**Seller**”), BIT Mining Limited, and other parties thereto (the “**Agreement**”), I, the duly elected and acting \_\_\_\_\_ of Seller, hereby certify in such capacity on behalf of Seller, and not in my individual capacity, as follows:

1. Seller has made available Megawatt Space with respect to a cumulative number of Megawatts equal to *[insert number of Megawatts]* (the “**Delivered Megawatt Space**”) as of the date of this Completion Certificate;
2. The Delivered Megawatt Space is available as of the date of this Completion Certificate for use by crypto-mining equipment that is installed or could be installed in the data center located on the Property.
3. The Electrical Testing Inspection has been completed and passed with respect to the Delivered Megawatt Space.
4. The completed Facilities and Megawatt Space are fully in accordance with the Mine Design Scheme and Power Design.

Capitalized terms used and not defined in this Certificate shall have the meanings given to such terms in the Agreement.

IN WITNESS WHEREOF, Seller has caused this certificate to be executed on its behalf by its \_\_\_\_\_, as of the date first set forth above.

**VIKING DATA CENTERS LLC**

By: \_\_\_\_\_  
Name:  
Title:

## EXHIBIT B

### Electrical Testing Inspection

#### 1. Completion Inspection and Completion Notice

1.1 When Seller has reasonably determined that a Megawatt Space is ready for the Electrical Testing Inspection, Seller shall deliver a Completion Certificate with respect to each Completion described in Section 2.1(e) of this Agreement to Purchaser. In addition to such other rights of Purchaser as provided under this Agreement, Purchaser shall have right to conduct an Electrical Testing Inspection (the “**Completion Inspection**”) after the receipt of the Completion Certificate; provided, however, that such Completion Inspection with respect to each Completion shall take place no later than five (5) calendar days after receipt of the Completion Certificate by Purchaser with regard to such Completion.

1.2 The Completion Inspection with respect to each Completion shall be deemed to have passed if (i) there are such number of Outlets in the Megawatt Space operating with a continuous capacity of no less than 3840 watts that is calculated by dividing: (A) the number of Megawatts that shall be delivered upon such Completion pursuant to Section 2.1(e) of this Agreement, by (B) 3840 watts, (ii) all installations covered by the NEC and any parts of such installations have been completed and comply in all respects with relevant rules and applicable standards of the NEC, (iii) all transformers, wires, circuits, cables, Outlets, breakers, conductors, switches, conduit bodies and other electrical devices in the Megawatt Space have been installed in compliance with all applicable standards of the NEC in all respects and are operating and functioning in proper order, (iv) all precautionary and protective measures necessary for the safety of the Megawatt Space and the Facilities have been taken and completed in compliance with all applicable standards of the NEC in all respects, and (v) the Completion of the Megawatt Space and the Facilities are in accordance with the 65 MW Mine Design Scheme and the 65 MW Power Design in all material respects so long as the immaterial deviations from and inconsistency with the 65 MW Mine Design Scheme and the 65 MW Power Design do not adversely affect the full capacity and optimal operation of the Megawatt Space.

1.3 In the event that the Completion Inspection with respect to a Completion has passed, Purchaser shall deliver a written notice (the “**Completion Notice**”) to Seller; *provided that*, in the event the Completion Inspection passes and Purchaser issues the Completion Notice with respect to such Completion, the Completion shall be deemed to have occurred on the date of the Completion Certificate so that no Penalty Amount shall accrue under Section 2.1(f) of this Agreement with respect to such Completion; *provided further that*, in the event that the Completion Inspection fails, the Penalty Amount under Section 2.1(f) of this Agreement shall be deemed to have started to accrue on the date immediately after the applicable Milestone Date.

#### 2. Compliance Inspection and Compliance Notice

2.1 During the period between (a) the Effective Date and the First Construction Milestone Date or (b) two Construction Milestone Dates, Purchaser shall have the right to visit and conduct additional Electrical Testing Inspection (the “**Compliance Inspection**”) with respect to the Megawatt Space and the Facilities at its discretion during regular working hours on reasonable prior notice to Seller (the “**Purchaser Inspection Notice**”); *provided, however*, that such Compliance Inspection shall take place no later than five (5) calendar days after delivery of the Purchaser Inspection Notice.

2.2 The Compliance Inspection shall be deemed to have passed if (i) there are such number of Outlets in the Megawatt Space operating with a continuous capacity of no less than 3840 watts that is calculated by dividing: (A) the number of Megawatts that Seller truthfully and honestly claims to have been

completed prior to such inspection date, by (B) 3840 watts, (ii) all installations covered by the NEC and any parts of such installations have been completed and comply in all respects with relevant rules and applicable standards of the NEC, (iii) all transformers, wires, circuits, cables, Outlets, breakers, conductors, switches, conduit bodies and other electrical devices in the Megawatt Space have been installed in compliance with all applicable standards of the NEC in all respects and are operating and functioning in proper order, (iv) all precautionary and protective measures necessary for the safety of the Megawatt Space and the Facilities have been taken and completed in compliance with all applicable standards of the NEC in all respects, and (v) the Megawatt Space and the Facilities are constructed in accordance with the 65 MW Mine Design Scheme and the 65 MW Power Design in all material respects so long as the immaterial deviations from and inconsistency with the 65 MW Mine Design Scheme and the 65 MW Power Design do not adversely affect the full capacity and optimal operation of the Megawatt Space.

2.3 In the event that the Compliance Inspection has passed, Purchaser shall deliver a written notice (the “**Compliance Notice**”) to the Seller.

### **3. Inspection Methods**

3.1 Purchaser may by itself or may engage a third party to conduct any Electrical Testing Inspection. Purchaser and Seller may attend an Electrical Testing Inspection either in person or via a virtual meeting link.

**EXHIBIT C**

**Amended and Restated LLC Agreement**



## EXHIBIT D

### Purchase Price Installments

The Purchase Price shall be paid in the following Installments and on the following Installment Dates:

1. On the Closing, Purchaser shall make a Cash Payment to Seller in the amount of Four Million Eight Hundred Eighteen Thousand Four Hundred Sixty-One Dollars (\$4,818,461) on condition that Purchaser receives each and every closing deliverable listed under Section 2.1(d)(ii), including, but not limited to, the Master Retail Electricity Sales Agreement and the Recorded Grant Deed;
2. On November 15, 2021, Purchaser shall make a Cash Payment to Seller in an amount equal to Three Million Eleven Thousand Five Hundred Thirty-Eight Dollars (\$3,011,538);
3. On or before the later of (i) February 15, 2022 and (ii) seven (7) calendar days after Purchaser delivers a Completion Notice (after Seller's delivery of a Completion Certificate and the Completion Inspection has passed to the satisfaction of Seller and Purchaser) with respect to twenty-five (25) Megawatts, Purchaser shall make a Cash Payment to Seller in an amount equal to Seven Hundred Fifty Two Thousand Eight Hundred Eighty-Five Dollars (\$752,885);
4. On or before the later of (i) March 31, 2022 and (ii) seven (7) calendar days after Purchaser delivers a Completion Notice (after Seller's delivery of a Completion Certificate and the Completion Inspection has passed to the satisfaction of Seller and Purchaser) with respect to sixty-five (65) Megawatts, Purchaser shall (x) make a Cash Payment to Seller in an amount equal to One Million Two Hundred Four Thousand Six Hundred Fifteen Dollars (\$1,204,615) and (y) issue to Seller the Purchaser Shares pursuant to a Securities Purchase Agreement in the form of Exhibit I attached hereto; *provided, however*, that Purchaser may, at its sole discretion, elect to pay One Million One Hundred Seventy Four Thousand Four Hundred Eighty-Five Dollars (\$1,174,485) as additional Cash Payments to Seller, in lieu of issuing the Purchaser Shares.

**EXHIBIT E**

**Seller Assignment**

**EXHIBIT F**

**Second CFEA**

## **EXHIBIT G**

### **DISCLOSURE SCHEDULE**

This Disclosure Schedule is dated as of October 18, 2021, and is made and given pursuant to Section 3.1 of the Membership Interest Purchase Agreement, dated as of October 18, 2021 (the “**Agreement**”), by and among Viking Data Centers LLC (the “**Seller**”) BIT Mining Limited (“**Purchaser**”), and other parties thereto. All capitalized terms used but not defined herein shall have the meanings as defined in the Agreement, unless otherwise provided. The section numbers below correspond to the section numbers of the representations and warranties in the Agreement; provided, however, that any information disclosed herein under any section number shall be deemed to be disclosed and incorporated into any other section number under the Agreement where such disclosure would be appropriate and such appropriateness is reasonably apparent from the face of such disclosure. Nothing in this Disclosure Schedule is intended to broaden the scope of any representation or warranty contained in the Agreement or to create any covenant. Inclusion of any item in this Disclosure Schedule (1) does not represent a determination that such item is material or establish a standard of materiality, (2) does not represent a determination that such item did not arise in the ordinary course of business, (3) does not represent a determination that the transactions contemplated by the Agreement require the consent of third parties, and (4) shall not constitute, or be deemed to be, an admission to any third party concerning such item. This Disclosure Schedule includes brief descriptions or summaries of certain agreements and instruments, copies of which are available upon reasonable request. Such descriptions do not purport to be comprehensive and are qualified in their entirety by reference to the text of the documents described, copies of which have been made available to Purchaser or its counsel.

Schedule 3.1(a)

**Equity Structure**

<b>Unitholder Name and Address</b>	<b>Capital Contribution</b>	<b>Class A Units</b>
BIT Mining Limited Units 813 & 815, Level 8, Core F, Cyberport 3, 100 Cyberport Road Hong Kong	\$51.00	51,000
Viking Data Centers LLC 121 Wilbur Drive NE North Canton, OH 44720	\$49.00	49,000
Total	\$100.00	100,000

Schedule 3.1(i)

**Title to Property and Assets; Condition and Sufficiency of Assets**

Viking Real Estate completed the purchase of the Property on September 28, 2021. In connection with the purchase, Viking Real Estate borrowed \$2,130,754.79 from Alignment Engine Inc., an Affiliate of Viking Real Estate (the “**Loan**”) and entered into a mortgage on the Property.

Schedule 3.1(k)

**Insurance**

The purchase of the Property occurred on September 28, 2021. The Warrantors have obtained appropriate insurance on the Property, as well as other insurance policies applicable to the Business. Such policies that the Warrantors obtained include:

- Construction insurance;
- General liability insurance;
- Commercial property insurance;
- Workers Compensation insurance;
- Directors' and Officers' Liability insurance;
- Errors and Omissions insurance; and
- Cyber liability insurance.

Copies of the certificate of insurance for the above mentioned insurance policies will be made available to Purchaser.

Schedule 3.1(n)

**Material Contracts**

- Seller Assignment;
- Agreement for Purchase and Sale of Real Estate, by and among Maxion Wheels Akron, LLC and DAS, with respect to the Property;
- Purchase Orders from Seller to Solomon Transformers, LLC;
- Consulting agreement with CSD Energy;
- Promissory Note and Mortgage related to the Loan;
- Master Retail Electricity Sales Agreement; and
- Assignment and Assumption Agreement among Viking Real Estate, DAS, and Maxion Wheels Akron LLC, dated September 27, 2021.



Schedule 3.1(o)

**Environmental Matters**

As previously disclosed to Purchaser, certain past environmental matters have been identified with respect to the Property. Appropriate remediation of such matters will occur in accordance with an EPA-compliant environmental operations and maintenance plan.

**EXHIBIT H**

**EPA-Compliant Environmental Operations and Maintenance Plan**

**EXHIBIT I**

**Securities Purchase Agreement**

**List of the Registrant's Subsidiaries (as of December 31, 2021)**

**Subsidiaries:**

Fine Brand Limited, a British Virgin Islands company  
Star Light Inc., a Cayman Islands company  
1324492 B.C. Ltd., a Canada company  
500wan HK Limited, a Hong Kong company  
BT Minig Limited, a Cayman Islands company  
Skill Esport Limited, a Hong Kong company  
Summit Bend US Corporation, a U.S. company  
Star Light Ohio I Corporation, a U.S. company  
Star Light Ohio II Corporation, a U.S. company  
Asgard Data Centers LLC, a U.S. company  
E-Sun Sky Computer (Shenzhen) Co., Ltd., a PRC company  
E-Sun Kazakhstan Limited, a Kazakhstan company  
Loto Interactive Limited, a Hong Kong company  
Alliance International Technologies Limited, a British Virgin Islands company  
Hong Kong Sunstar Technology Co., Limited, a Hong Kong company  
Beijing Guixinyanghang Technology Limited, a PRC company  
The Multi Group Ltd, a Malta company  
Multi Warehouse Ltd, a Malta company  
Multi Brand Gaming Ltd, a Malta company  
Multilotto UK Ltd, a Malta company  
Lotto Warehouse Ltd, a Malta company  
Wasp Media Ltd, a Malta company  
Round Spot Services Ltd, a Cyprus company  
Multi Pay N.V., a Curacao company  
Oddson Europe Ltd, a Malta company

**Chief Executive Officer Certification****Pursuant to Section 302 of the Sarbanes Oxley Act of 2002**

I, Xianfeng Yang, Chief Executive Officer of BIT Mining Limited (the “**Company**”), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the Company and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual 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 consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - (d) disclosed in this annual report any change in the Company’s internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting;
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of Company’s board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 7, 2022

By: /s/ Xianfeng Yang

Name: Xianfeng Yang

Title: Chief Executive Officer

**Chief Financial Officer Certification****Pursuant to Section 302 of the Sarbanes Oxley Act of 2002**

I, Qiang Yuan, Chief Financial Officer of BIT Mining Limited (the “**Company**”), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the Company and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual 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 consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - (d) disclosed in this annual report any change in the Company’s internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting;
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of Company’s board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 7, 2022

By: /s/ Qiang Yuan

Name: Qiang Yuan

Title: Chief Financial Officer

**Chief Executive Officer Certification**

**Pursuant to Section 906 of the Sarbanes Oxley Act of 2002**

In connection with the Annual Report on Form 20-F of BIT Mining Limited (the “**Company**”) for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “**Report**”), I, Xianfeng Yang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that to my knowledge:

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

Date: April 7, 2022

By: /s/ Xianfeng Yang

Name: Xianfeng Yang

Title: Chief Executive Officer

**Chief Financial Officer Certification**

**Pursuant to Section 906 of the Sarbanes Oxley Act of 2002**

In connection with the Annual Report on Form 20-F of BIT Mining Limited (the “**Company**”) for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “**Report**”), I, Qiang Yuan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that to my knowledge:

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

Date: April 7, 2022

By: /s/ Qiang Yuan

Name: Qiang Yuan

Title: Chief Financial Officer





**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-193462, No. 333-226377, No. 333-229508 and No. 333-256273), and Form F-3 (No. 333-258329) of our report dated April 7, 2022 with respect to the audited consolidated financial statements of BIT Mining Limited (the “Company”) (which report expresses an unqualified opinion) and the effectiveness of internal control over financial reporting (which report expresses an adverse opinion) appearing in this Annual Report on Form 20-F of the Company for the year ended December 31, 2021.

/s/ *MaloneBailey, LLP*  
www.malonebailey.com  
Houston, Texas  
April 7, 2022

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Public Company Accounting Oversight Board Registered AICPA  
An Independently Owned and Operated Member of Nexia International

