

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

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

Or

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

For the fiscal year ended December 31, 2024

OR

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

OR

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

Commission file number: 001-40368

SAIHEAT Limited
(Exact name of Registrant as specified in its charter)

Not applicable
(Translation of Registrant's Name into English)

Cayman Islands
(Jurisdiction of incorporation or organization)

c/o #266A South Bridge Road,
#02-01 Singapore (058815)
(Address of principal executive offices)

Arthur Lee
c/o #266A South Bridge Road,
#02-01 Singapore (058815)
Telephone: +65 9656 5641
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, par value \$0.0001 per share	SAIH	The Nasdaq Stock Market LLC
Warrants exercisable to purchase Ordinary Shares	SAIHTW	The Nasdaq Stock Market LLC

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

Indicate the number of outstanding shares of each of the issuer's classes of capital stock or common stock as of the close of business covered by this annual report.

On December 31, 2024, the issuer had 1,110,907 Class A Ordinary Shares and 642,043 Class B Ordinary Shares, par value \$0.0015 per share.

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 the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Emerging growth company	<input checked="" type="checkbox"/>

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

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

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

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

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

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

U.S. GAAP <input checked="" type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board <input type="checkbox"/>	Other <input type="checkbox"/>
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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

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EXPLANATORY NOTE

Unless otherwise indicated or the context otherwise requires, all references in this annual report on Form 20-F (the “Annual Report”) to the terms “SAIH,” “SAI,” the “Company,” “we,” “us” and “our” refer to SAIHEAT Limited, a Cayman Islands exempted holding company, together as a group with its subsidiaries.

Our consolidated financial statements are presented in U.S. dollars. All references in this Annual Report to “\$,” “U.S. \$,” “U.S. dollars” and “dollars” mean U.S. dollars, unless otherwise noted.

SELECTED DEFINITIONS

- “bitcoin” means the type of virtual currency based on an open source cryptographic protocol existing on the Bitcoin Network.
- “Business Combination” means the transactions contemplated by the Business Combination Agreement, including, the merger;
- “Business Combination Agreement” means the Business Combination Agreement, as amended dated as of September 27, 2021, among TradeUP, Merger Sub and Old SAI, as amended as of October 20, 2021, and January 26, 2022, and March 22, 2022;
- “Class A Ordinary Shares” means the Class A ordinary shares, par value \$0.0001 per share, of SAI;
- “Class B Ordinary Shares” means the Class B ordinary shares, par value \$0.0001 per share, of SAI;
- “Closing” means the closing of the Business Combination;
- “Code” means the Internal Revenue Code of 1986, as amended;
- “Companies Act” means the Companies Act (As Revised) of the Cayman Islands, as amended, modified, re-enacted or replaced;
- “current memorandum and articles of association” means the amended and restated certificate memorandum and articles of association of TradeUP, effective April 28, 2021;
- “Exchange Act” means the Securities Exchange Act of 1934, as amended;
- “GAAP” means generally accepted accounting principles in the United States;
- “hash rate” means a measure of the computational power per second used when mining;
- “Investment Company Act” means the U.S. Investment Company Act of 1940, as amended;
- “IPO Warrants” means the warrants issued upon the exchange of TradeUP Warrants in connection with the closing of the Business Combination, each of which is exercisable for one Class A Ordinary Share, in accordance with its terms.
- “IRS” means the U.S. Internal Revenue Service;
- “Letter Agreement” means the letter agreement by and among TradeUP, the Sponsor and three directors of TradeUP, as amended by the letter agreement amendment dated September 27, 2021 and further amended by the letter agreement dated January 26, 2022;
- “Lock-Up Agreements” means (1) the SAI Lock-Up Agreements and (2) the TradeUP Lock-Up Agreement;
- “Merger” means the merger of Merger Sub with SAI, with SAI surviving such merger and SAI becoming a wholly owned subsidiary of TradeUP, pursuant to the Business Combination Agreement;
- “Merger Sub” means TGC Merger Sub, a Cayman Islands exempted company incorporated with limited liability;
- “MOFCOM” means the Ministry of Commerce of the People’s Republic of China;
- “M&A Rules” means the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》), which was jointly issued by six PRC regulatory authorities, including the MOFCOM and other government authorities on August 8, 2006 and was effective as of September 8, 2006 and amended on June 22, 2009.

- “Nasdaq” means The Nasdaq Stock Market LLC;
- “Old SAI” means SAITECH Limited, a Cayman Islands exempted company, before the Merger Effective Time;
- “ordinary resolution” means an ordinary resolution under Cayman Islands law, being the affirmative vote of the holders of a majority of the issued ordinary shares of the company that are present in person or represented by proxy and entitled to vote thereon and who vote at the general meeting;
- “Ordinary Shares” means the Class A Ordinary Shares;
- “PBOC” means People’s Bank of China;
- “PRC” or “China” means the People’s Republic of China;
- “private shares” are to the aggregate 224,780 Class A Ordinary Shares, at a price of \$10.00 per share, issued to the Sponsor in a private placement simultaneously with the closing of the TradeUP IPO and the partial exercise of the underwriters’ over-allotment option to purchase additional units, as were converted in connection with the Closing;
- “proxy statement/prospectus” means the proxy statement/prospectus included in the Registration Statement on Form F-4 filed with the SEC;
- “public shares” means TradeUP Class A ordinary shares included in the units issued in the TradeUP IPO;
- “redemption” means the right of public shareholders to have their public shares redeemed in accordance with the procedures set forth in the proxy statement on Form F-4/A filed on March 29, 2022;
- “Registration Rights Agreement” means the registration rights agreement, dated as of April 28, 2021, among TradeUP and TradeUP initial shareholders;
- “SAI” means SAIHEAT Limited (formerly named SAI.TECH Global Corporation) following the consummation of the Business Combination;
- “SAI Affiliate Lock-Up Agreement” means the lock-up agreement to be entered into by SAI Founder, certain affiliates of SAI and SAI Founder, and the other persons party thereto at the closing;
- “SAI Founder” means Energy Science Artist Holding Limited, a wholly owned entity controlled by Risheng Li;
- “SAI Incentive Plan” means SAI.TECH Global Corporation 2021 Equity Incentive Plan;
- “SAI Shareholder Lock-Up Agreement” means the lock-up agreement entered into by the shareholders of SAI at the closing other than shareholders party to the SAI Affiliate Lock-Up Agreement;
- “Sarbanes-Oxley Act” means the Sarbanes-Oxley Act of 2002;

- “SEC” means the U.S. Securities and Exchange Commission;
- “Securities Act” means the U.S. Securities Act of 1933, as amended;
- “special resolution” means a special resolution under Cayman Islands law, being the affirmative vote of the holders of at least a two-thirds majority of the issued ordinary shares of the company that are present in person or represented by proxy and entitled to vote thereon and who vote at the general meeting;
- “Sponsor” means TradeUP Global Sponsor LLC, a Cayman Islands limited liability company;
- “Stablecoin” means a kind of crypto asset that is designed to minimize price volatility, and to track the price of an underlying asset such as fiat money or an exchange-traded commodity (such as precious metals or industrial metals), while other stablecoins utilize algorithms that are designed to maintain a relative stable price of the asset. Stablecoins can be backed by fiat money, physical commodities, or other crypto assets.
- “TradeUP Class A ordinary shares” means the Class A ordinary shares, par value \$0.0001 per share, of TradeUP;
- “TradeUP Class B Ordinary Shares” means the Class B ordinary shares, par value \$0.0001 per share, of TradeUP, which shares were converted automatically in connection with the merger into TradeUP Class A Ordinary Shares and cease to be outstanding; such shares are also referred to and defined herein as the “founder shares”;
- “TradeUP initial shareholders” means the Sponsor and each of TradeUP’s directors and officers that hold founder shares;
- “TradeUP IPO” means TradeUP’s initial public offering, consummated on May 3, 2021, through the sale of 4,488,986 units (including the 488,986 units sold pursuant to the underwriters’ partial exercise of their over-allotment option at \$10.00 per unit);
- “TradeUP Lock-Up Agreement” means the lock-up agreement entered into by the Sponsor, certain affiliates of TradeUP and the other persons party thereto at the;
- “TradeUP Support Agreement” means the support agreement, dated as of September 27, 2021, among the Sponsor certain affiliates of TradeUP and the Sponsor and the other persons party thereto;
- “TradeUP Warrant(s)” means the warrants included in the units issued in the TradeUP IPO, each of which is exercisable for one TradeUP Class A ordinary share, in accordance with its terms.
- “Trust Account” means the trust account that holds a portion of the proceeds of the TradeUP IPO and the sale of the private shares; and
- “units” means one TradeUP Class A ordinary share and one-half of one warrant, whereby each warrant entitles the holder thereto to purchase one TradeUP Class A ordinary share at an exercise price of \$11.50 per share, sold in the TradeUP IPO;

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, “forward-looking statements.” These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “seeks,” “projects,” “intends,” “plans,” “may,” “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include statements regarding our intentions, beliefs or current expectations. Such forward-looking statements are based on available current market material and management’s expectations, beliefs and forecasts concerning future events impacting SAIHEAT Limited. Factors that may impact such forward-looking statements include:

- our financial performance;
- the ability to maintain the listing of our Class A Ordinary Shares and IPO Warrants on the Nasdaq Capital Market;
- our continued growth strategy, future operations, financial position, estimated revenues and losses, projected capex, prospects and plans;
- our strategic advantages and the impact those advantages will have on future financial and operational results;
- the implementation, market acceptance and success of the Company’s platform and new offerings;
- our approach and goals with respect to technology;
- our expectations regarding our ability to continue to obtain and maintain intellectual property protection and not infringe on the rights of others;
- changes in applicable laws or regulations;
- the outcome of any known and unknown litigation and regulatory proceedings;
- the outcome of any legal proceedings that may be instituted against the Company;
- the ability to continue to implement business plans, forecasts, and other expectations after the completion of the Business Combination, and identify and realize additional opportunities;
- our ability to attract and retain users;
- our dependence upon third-party licenses;
- the continued risk that we may never achieve or sustain profitability;
- the continued risk that we will need to raise additional capital to execute our business plan, which may not be available on acceptable terms or at all;
- the continued risk that we may experience difficulties in managing our growth and expanding operations;
- that we have identified material weaknesses in our internal control over financial reporting which, if not corrected, could affect the reliability of our financial statements;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors; and
- other risks disclosed in the Annual Report (as defined below).

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the factors discussed under the “*Risk Factors*” section of this Annual Report. Accordingly, you should not rely on these forward-looking statements, which speak only as of the date of this Annual Report. We undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Annual Report or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks described in the reports we will file from time to time with the United States Securities and Exchange Commission (the “SEC”) after the date of this Annual Report.

Although we believe the expectations reflected in the forward-looking statements were reasonable at the time made, we cannot guarantee future results, level of activity, performance, or achievements. Moreover, neither we nor any other person assume responsibility for the accuracy or completeness of any of these forward-looking statements. You should carefully consider the cautionary statements contained or referred to in this section in connection with the forward-looking statements contained in this Annual Report and any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf.

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

An investment in our securities carries a significant degree of risk. You should carefully consider the following risks and other information in this Annual Report, including our consolidated financial statements and related notes included herein, in connection with your ownership of our securities. If any of the events described below occur, our business and financial results could be adversely affected in a material way. This could cause the trading price of our securities to decline, perhaps significantly, and you therefore may lose all or part of your investment. The risks set out below are not exhaustive and do not comprise all of the risks associated with an investment in the Company. Additional risks and uncertainties not currently known to us or which we currently deem immaterial may also have a material adverse effect on our business, financial condition, results of operations, and prospects.

Summary Risk Factors

The below summary risks provide an overview of the material risks we are exposed to in the normal course of our business activities. The below summary risks do not contain all of the information that may be important to you, and you should read the summary risks below together with the more detailed discussion of risks set forth following this section under the heading “Risk Factors,” as well as elsewhere in this Annual Report. The summary risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem less significant may also affect our business operations or financial results. Consistent with the foregoing, we are exposed to a variety of risks, including those associated with the following:

- We have a limited operating history in an evolving and highly volatile industry and are undergoing a business transition, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.
- Our operating results may fluctuate due to the highly volatile nature of cryptocurrencies in general and, specifically, bitcoin.
- Bitcoin mining activities are energy-intensive, which may restrict the geographic locations of mining machines and have a negative environmental impact. Government regulators may potentially restrict the ability of electricity suppliers to provide electricity to mining operations, such as ours.
- Unfavorable global economic, business or political conditions, such as the sudden tariff adjustments and increases, and the disruption caused by various countermeasures to reduce its spread, could adversely affect our business, prospects, financial condition, and operating results.
- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position could be harmed.
- If bitcoin or other cryptocurrencies are determined to be investment securities, and we hold a significant portion of its assets in such cryptocurrency, investment securities or non-controlling equity interests of other entities, we may inadvertently violate the Investment Company Act. We could incur large losses to modify our operations to avoid the need to register as an investment company or could incur significant expenses to register as an investment company or could terminate operations altogether.
- If regulatory changes or interpretations of our activities require our registration as a money service business, or MSB, under the regulations promulgated by The Financial Crimes Enforcement Network (“FinCEN”) under the authority of the U.S. Bank Secrecy Act, or otherwise under state laws, we may incur significant compliance costs, which could be substantial or cost-prohibitive. If we become subject to these regulations, our costs in complying with them may have a material negative effect on our business and the results of our operations.

- There is no one unifying principle governing the regulatory status of cryptocurrency nor whether cryptocurrency is a security in each context in which it is viewed. Regulatory changes or actions in one or more countries may alter the nature of an investment in us or restrict the use of crypto assets, such as cryptocurrencies, in a manner that adversely affects our business, prospects or operations.
- The loss or destruction of any private keys required to access our digital wallet may be irreversible. If we are unable to access our private keys (whether due to loss, destruction, security incident or otherwise), it could cause direct financial loss, regulatory scrutiny and reputational harm.
- Distributing crypto 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.
- Significant contributors to all or a network for any particular crypto asset, such as bitcoin, could propose amendments to the respective network's protocols and software that, if accepted and authorized by such network, could adversely affect our business.
- The supply of bitcoin is limited, and production of bitcoin is negatively impacted by the bitcoin halving protocol expected every four years.
- Any periodic adjustments to the crypto asset networks, such as bitcoin, regarding the difficulty for block solutions, with reductions in the aggregate hash rate or otherwise, could have a material adverse effect on our business, prospects, financial condition, and operating results. If the award of new bitcoin for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power, or hash rate, to solve blocks and confirmations of transactions on the bitcoin blockchain could be slowed.
- Bitcoin and any other cryptocurrencies that could be held by us are not insured and not subject to FDIC or SIPC protections.
- As a company with operations and opportunities outside of the U.S., we may face additional burdens and be subject to a variety of additional risks or considerations associated with companies operating in an international setting that may negatively impact our operations.
- If relations between the United States and foreign governments deteriorate, they could affect our operations and cause our goods and services to become less attractive.
- Though we have a Singapore-based auditor and a U.S. based predecessor auditor that are registered with the PCAOB and currently subject to PCAOB inspection, if it is later determined that the PCAOB is unable to inspect or investigate completely the company's auditors because of a position taken by an authority in a foreign jurisdiction, trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act and as a result an exchange may determine to delist our securities.
- PRC regulations relating to offshore investment activities by PRC residents may expose us or our PRC resident beneficial owners to liability and penalties under PRC law.
- The PRC government may exert, at any time, with little to no notice, substantial interventions and influences over the manner in which a business must conduct its business operations that cannot always be expected nor anticipated, if such business has some presence/operations in China. If the PRC government at any time substantially intervenes, influences, or establishes new policies, regulations, rules, or laws in a business's industry, such substantial intervention or influence may result in adverse impact on such business's operations and the value of such business's securities, including causing the value of such securities to decline.
- We are obligated to develop and maintain proper and effective internal controls over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in the Company and, as a result, the value of our Ordinary Shares.
- As a result of our plans to expand operations, including to jurisdictions in which the tax laws may not be favorable, our tax rate may fluctuate, our tax obligations may become significantly more complex and subject to greater risk of examination by taxing authorities or we may be subject to future changes in tax law, the impacts of which could adversely affect our after-tax profitability and financial results.

In addition to the other information contained in this Annual Report, we have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition, or results of operation. Investors should carefully consider the risks described below together with all of the other information in this Annual Report, including our consolidated financial statements and related notes thereto included elsewhere in this Annual Report and in our other filings with the SEC, before making an investment decision. The trading price of our securities could decline due to any of these risks, and investors may lose all or part of their investment.

Risks Related to Our Business, Industry and Operations

We have a limited operating history in an evolving and highly volatile industry and are undergoing a business transition, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We began our operations in 2019 and since then our business model has continued to evolve. We are undergoing a transformation and began bitcoin mining in late 2021. Our bitcoin mining business is in its early stages, and bitcoin, energy pricing and bitcoin mining economics are volatile and subject to uncertainties. Our current strategy will continue to expose it to the numerous risks and volatility associated with the bitcoin mining and power generation sectors, including fluctuating bitcoin prices, the costs of bitcoin mining machines, the number of market participants mining bitcoin, the availability of other power generation facilities to expand operations and regulatory changes.

As crypto assets and blockchain technologies become more widely available, we expect the services and products associated with them to evolve, including as part of evolution in their regulatory treatment on the international markets and the countries where we operate. Furthermore, from time to time we may modify aspects of our business model or engage in various strategic initiatives, which may be complimentary to our mining operations. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business, damage our reputation and limit our growth. Additionally, any such changes to our business model or strategy could cause us to become subject to additional regulatory scrutiny and a number of additional requirements, including licensing and permit requirements. All of the abovementioned factors may impose additional compliance costs on our business and higher expectations from regulators regarding risk management, planning, governance and other aspects of our operations.

If, among other things, the price of bitcoin declines or mining economics become prohibitive, we could incur future losses. Such losses could be significant as it incurs costs and expenses associated with recent investments and potential future acquisitions, as well as legal and administrative related expenses. While we closely monitor our cash balances, cash needs and expense levels, significant expense increases may not be offset by a corresponding increase in revenue or a significant decline in bitcoin prices could significantly impact our financial performance.

Our operating results may fluctuate due to the highly volatile nature of cryptocurrencies in general and, specifically, bitcoin.

All of our sources of revenue are dependent on cryptocurrencies and, specifically, bitcoin, and the broader blockchain and bitcoin mining ecosystem. Due to the highly volatile nature of the cryptocurrency markets and the prices of cryptocurrency assets, our operating results may fluctuate significantly from quarter to quarter in accordance with market sentiments and movements in the broader cryptocurrency ecosystem. Our operating results may fluctuate as a result of a variety of factors, many of which are unpredictable and in certain instances are outside of our control, including:

- changes in the legislative or regulatory environment, or actions by governments or regulators that impact the cryptocurrency industry generally, or our operations specifically;
- difficulty in obtaining new hardware and related installation costs;
- access to cost-effective sources of electrical power;
- adverse legal proceedings or regulatory enforcement actions, judgments, settlements or other legal proceeding and enforcement-related costs;
- increases in operating expenses that we expect to incur to grow and expand our operations and to remain competitive;
- system errors, failures, outages and computer viruses, which could disrupt our ability to continue operating;
- power outages and certain other events beyond our control, including natural disasters and telecommunication failures;
- breaches of security or privacy;
- macroeconomic conditions;
- our ability to attract and retain talent; and
- our ability to compete with our existing and new competitors.

As a result of these factors, it may be difficult for us to forecast growth trends accurately and our business and future prospects are difficult to evaluate, particularly in the short term. In view of the rapidly evolving nature of our business and the bitcoin mining ecosystem, period-to-period comparisons of our operating results may not be meaningful, and you should not rely upon them as an indication of future performance. Quarterly and annual expenses reflected in our financial statements may be significantly different from historical or projected rates, and our operating results in one or more future quarters may fall below the expectations of securities analysts and investors. As a result, the trading price of our Class A Ordinary Shares may increase or decrease significantly.

Bitcoin mining activities are energy-intensive, which may restrict the geographic locations of mining machines and have a negative environmental impact. Government regulators may potentially restrict the ability of electricity suppliers to provide electricity to mining operations, such as ours.

Mining bitcoin requires massive amounts of electrical power, and electricity costs are expected to account for a significant portion of our overall costs. The availability and cost of electricity will restrict the geographic locations of our mining activities. Any shortage of electricity supply or increase in electricity costs in any location where we plan to operate may negatively impact the viability and the expected economic return for bitcoin mining activities in that location.

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

If we are unable to successfully enter into those definitive agreements with power providers or our counterparties fail to perform their obligations under such agreements, we may be forced to look for alternative power providers. There is no assurance that we will be able to find such alternative suppliers on acceptable terms in a timely manner or at all.

Furthermore, there may be significant competition for suitable cryptocurrency mining sites, and government regulators, including local permitting officials, may potentially restrict our ability to set up cryptocurrency mining operations in certain locations. They can also 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. As a result, during this time period, bitcoin and cryptocurrency miners will not have access to power for bitcoin and cryptocurrency mining purposes and will be required to halt their operations. New ordinances and other regulations at the federal, state and local levels can also be introduced at any time. Specifically, those can be triggered by certain adverse weather conditions or natural disasters, see “*Risk Factors — Risks Related to Our Business, Industry, and Operations — We will be vulnerable to severe weather conditions and natural disasters, including earthquakes, fires, floods, hurricanes, as well as power outages and other industrial incidents, which could severely disrupt the normal operation of our business and adversely affect our results of operations.*”

Furthermore, if cryptocurrency mining becomes more widespread, government scrutiny related to restrictions on cryptocurrency mining facilities and their energy consumption may significantly increase. The considerable consumption of electricity by mining operators may also have a negative environmental impact, including contribution to climate change, which could set the public opinion against allowing the use of electricity for bitcoin mining activities. This, in turn, could lead to governmental measures restricting or prohibiting the use of electricity for bitcoin mining activities. Any such development in the jurisdictions where we plan to operate could increase our compliance burdens and have a material adverse effect on our business, prospects, financial condition, and operating results.

Additionally, our mining operations could be materially adversely affected by power outages and similar disruptions. Given the power requirements for our mining equipment, it would not be feasible to run this equipment 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, it would have a material adverse effect on our business, prospects, financial condition, and operating results.

We may be affected by price fluctuations in the wholesale and retail power markets.

While we anticipate that the majority our power and hosting arrangements will contain fixed power prices, we expect that they may contain certain price adjustment mechanisms in case of certain events. Furthermore, some portion of our power and hosting arrangements is expected to have merchant power prices, or power prices reflecting market movements.

Market prices for power, generation capacity and ancillary services, are unpredictable. Depending upon the effectiveness of any price risk management activity undertaken by us, an increase in market prices for power, generation capacity, and ancillary services may adversely affect our business, prospects, financial condition, and operating results. Long- and short-term power prices may fluctuate substantially due to a variety of factors outside of our control, including, but not limited to:

- increases and decreases in generation capacity;
- changes in power transmission or fuel transportation capacity constraints or inefficiencies;
- volatile weather conditions, particularly unusually hot or mild summers or unusually cold or warm winters;
- technological shifts resulting in changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools, expansion and technological advancements in power storage capability and the development of new fuels or new technologies for the production or storage of power;
- federal and state power, market and environmental regulation and legislation; and
- changes in capacity prices and capacity markets.

If we are unable to secure power supply at prices or on terms acceptable to us, it would have a material adverse effect on our business, prospects, financial condition, and operating results.

Our business is dependent on a small number of crypto asset mining equipment suppliers.

Our business is dependent upon crypto asset mining equipment suppliers such as Bitmain Technologies, Ltd (“Bitmain”) providing an adequate supply of new generation crypto asset mining machines at economical prices to customers intending to purchase our hosting and other solutions. The growth in our business is directly related to increased demand for hosting services and crypto assets such as bitcoin which is dependent in large part on the availability of new generation mining machines offered for sale at a price conducive to profitable crypto asset mining, as well as the trading price of crypto assets such as bitcoin. The market price and availability of new mining machines fluctuates with the price of bitcoin and can be volatile. Higher bitcoin prices increase the demand for mining equipment and increases the cost. In addition, as more companies seek to enter the mining industry, the demand for machines may outpace supply and create mining machine equipment shortages. There are no assurances that crypto asset mining equipment suppliers, such as Bitmain, will be able to keep pace with any surge in demand for mining equipment. Further, manufacturing mining machine purchase contracts are not favorable to purchasers, and we may have little or no recourse in the event a mining machine manufacturer defaults on its mining machine delivery commitments. If we and our customers are not able to obtain a sufficient number of crypto asset mining machines at favorable prices, our growth expectations, liquidity, financial condition and results of operations will be negatively impacted.

Our business is capital intensive, and failure to obtain the necessary capital when needed may force us to delay, limit or terminate our expansion efforts or other operations, which could have a material adverse effect on our business, financial condition and results of operations.

The costs of constructing, developing, operating and maintaining crypto asset mining and hosting facilities, and owning and operating a large fleet of the latest generation mining equipment are substantial. Our mining operations can only be successful and ultimately profitable if the costs, including hardware and electricity costs, associated with mining crypto assets are lower than the price of the crypto assets we mine when we sell them. Our mining machines experience ordinary wear and tear from operation and may also face more significant malfunctions caused by factors which may be beyond our control. Additionally, as the technology evolves, we may acquire newer models of mining machines to remain competitive in the market. Over time, we replace those mining machines which are no longer functional with new mining machines purchased from third-party manufacturers, who are primarily based in China.

As mining machines become obsolete or degrade due to ordinary wear and tear from usage or are lost or damaged due to factors outside of our control, these mining machines will need to be repaired or replaced along with other equipment from time to time for us 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 based on availability of new mining machines and our access to adequate capital resources. If we are unable to obtain adequate numbers of new and replacement mining machines at scale, we may be unable to remain competitive in our highly competitive and evolving industry.

Moreover, in order to grow our hosting business, we need additional hosting facilities to increase our capacity for more mining machines. The costs of constructing, developing, operating and maintaining hosting facilities and growing our hosting operations may increase in the future, which may make it more difficult for us to expand our business and to operate our hosting facilities profitably.

We will need to raise additional funds through equity or debt financings in order to meet our operating and capital needs. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. An inability to generate sufficient cash from operations or to obtain additional debt or equity financing would adversely affect our results of operations. Additionally, if this happens, we may not be able to mine crypto assets as efficiently or in similar amounts as our competition and, as a result, our business and financial results could suffer.

Our success depends in large part on our ability to mine crypto assets profitably in the future and to attract customers for our hosting capabilities. Increases in power costs or our inability to mine crypto assets efficiently and to sell crypto assets at favorable prices will reduce our operating margins, impact our ability to attract customers for our services and harm our growth prospects and could have a material adverse effect on our business, financial condition and results of operations.

Our growth depends in large part on our ability to successfully mine crypto assets in the future and to attract customers for our hosting capabilities. We may not be able to attract customers to our hosting capabilities for a number of reasons, including if:

- there is a reduction in the demand for our services due to macroeconomic factors in the markets in which we operate;
- we fail to provide competitive pricing terms or effectively market them to potential customers;

- we provide hosting services that are deemed by existing and potential customers or suppliers to be inferior to those of our competitors, or that fail to meet customers' or suppliers' ongoing and evolving program qualification standards, based on a range of factors, including available power, preferred design features, security considerations and connectivity;
- businesses decide to host internally as an alternative to the use of our services;
- we fail to successfully communicate the benefits of our services to potential customers;
- we are unable to strengthen awareness of our brand;
- we are unable to provide services that our existing and potential customers' desire; or
- our customers are unable to secure an adequate supply of new generation crypto asset mining equipment to host with us.

If we are unable to obtain hosting customers at favorable pricing terms or at all, it could have a material adverse effect on our business, financial condition and results of operations.

If we do not accurately predict our hosting and self-mining facility requirements and percentage of capacity that utilizes waste heat to save energy cost, it could have a material adverse effect on our business, financial condition and results of operations.

The costs of building out, leasing and maintaining our hosting and self-mining facilities constitute a significant portion of our capital and operating expenses. In order to manage growth and ensure adequate capacity for our digital mining operations and new and existing hosting customers while minimizing unnecessary excess capacity costs, we continuously evaluate our short- and long-term data center capacity requirements. Our chip liquid cooling and waste heat recovery technology and our products were first tested in our pilot programs in China, which was terminated in June 2021. We began operating a heating demonstration project in our first North American distribution center located in Chesterland, Ohio, in August 2022, as our global expansion has progressed. In August 2023, we completed the development of SAI US R&D Center, SAI NODE Marietta, and have deployed 734 bitcoin mining machines for mining revenue as of the date of this Annual Report. Although we have made progress to install SAIHUB CAB data centers in North American countries, and are also in active discussions with local potential heat user partners, there is no guarantee of immediate, large-scale operation of such data centers due to the required process of market research, due diligence and business negotiation of these potential installation projects. If we overestimate our business' capacity requirements or the demand for our heat supply data centers and secure less data center capacity, our operating margins could be materially reduced. If we underestimate our data center capacity requirements, we may not be able to service the expanding needs of our existing customers and may be required to limit new customer acquisition, which could have a material adverse effect on our business, financial condition and results of operations.

Our projections are subject to significant risks, assumptions, estimates and uncertainties, including assumptions regarding the demand for our hosting services and the adoption of bitcoin and other crypto assets. As a result, our projected revenues, market share, expenses and profitability may differ materially from our expectations in any given quarter or fiscal year.

We operate in a rapidly changing and competitive industry and our projections are subject to the risks and assumptions made by management with respect to our industry. Operating results are difficult to forecast as they generally depend on our assessment of the timing of adoption and use of bitcoin and other crypto assets, which is uncertain. Furthermore, as we invest in the development of our hosting and self-mining business in the future, whether because of competition or otherwise, we may not recover the often-substantial up-front costs of constructing, developing and maintaining our hosting facilities and purchasing the latest generation of mining machines or recover the opportunity cost of diverting management and financial resources away from other opportunities. Additionally, our business may be affected by reductions in miner demand for hosting facilities and services and the price of bitcoin and other crypto assets as a result of a number of factors which may be difficult to predict. Similarly, our assumptions and expectations with respect to margins and the pricing of our hosting services and market price of bitcoin or other crypto assets we mine may not prove to be accurate. This may result in decreased revenue, and we may be unable to adopt measures in a timely manner to compensate for any unexpected shortfall in revenue. This inability could cause our operating results in a given quarter or year to be higher or lower than expected. If actual results differ from our estimates, analysts or investors may negatively react and our stock price could be materially impacted.

We have experienced difficulties in establishing relationships with banks, leasing companies, insurance companies and other financial institutions that are willing to provide us with customary financial products and services, which could have a material adverse effect on our business, financial condition and results of operations.

As an early stage company with operations focused in the crypto asset transaction processing industry, we have in the past experienced, and may in the future experience, difficulties in establishing relationships with banks, leasing companies, insurance companies and other financial institutions that are willing to provide us with customary leasing and financial products and services, such as bank accounts, lines of credit, insurance and other related services, which are necessary for our operations. Such difficulties may be exacerbated by proposed regulations under the America COMPETES Act of 2022 or other similar future regulations, may be used to prevent entities associated with cryptocurrency, including us, from access to financial services in the United States or other jurisdictions.

To the extent that a significant portion of our business consists of crypto asset transaction mining, processing or hosting, we may in the future continue to experience difficulty obtaining additional financial products and services on customary terms, which could have a material adverse effect on our business, financial condition and results of operations.

Changes in tariffs or import restrictions could have a material adverse effect on our business, financial condition and results of operations.

Equipment necessary for crypto asset mining is almost entirely manufactured in Asian countries, especially from Southeast Asian countries. There is currently significant uncertainty about the future relationship between these Asian countries and various other countries, including Kazakhstan, the United States, the European Union, Canada, and Mexico, with respect to trade policies, treaties, tariffs and customs duties, and taxes. For example, since 2019, the U.S. government has implemented significant changes to U.S. trade policy with respect to China. These tariffs have subjected certain crypto asset mining equipment manufactured overseas to additional import duties of up to 25%. The amount of the additional tariffs and the number of products subject to them has changed numerous times based on action by the U.S. government. These tariffs have increased costs of crypto asset mining equipment, and new or additional tariffs or other restrictions on the import of equipment necessary for crypto asset mining could have a material adverse effect on our business, financial condition and results of operations when we expand to global market.

Our historical financial results may not be indicative of our future performance.

We had a net loss of \$8.8 million, \$6.1 million and \$5.9 million for the fiscal year ended December 31, 2022, 2023, 2024, respectively. As of December 31, 2024, our accumulated deficit was \$37.2 million. Our historical results are not indicative of our future performance. If we are not able to successfully develop our business, it will have a material adverse effect on our business, financial condition and results of operations.

We will be vulnerable to severe weather conditions and natural disasters, including earthquakes, fires, floods, hurricanes, as well as power outages and other industrial incidents, which could severely disrupt the normal operation of our business and adversely affect our results of operations.

Our business is subject to the risks of severe weather conditions and natural disasters, including earthquakes, fires, floods, hurricanes, as well as power outages and other industrial incidents, any of which could result in system failures, power supply disruptions and other interruptions that could harm our business.

We are exposed to risk of nonperformance by counterparties, including our counterparties under the planned power and hosting arrangements.

We are exposed to risk of nonperformance by counterparties, whether contractual or otherwise. Risk of nonperformance includes inability or refusal of a counterparty to perform because of a counterparty's financial condition and liquidity or for any other reason. For example, our counterparties under the planned power and hosting arrangements may be unable to deliver the required amount of power for a variety of technical or economic reasons. Furthermore, there is a risk that during a period of power price fluctuations or prolonged or sharp power price increases on the market, our counterparties may find it economically preferable to refuse to supply power to us, despite the contractual arrangements. Any significant nonperformance by counterparties, could have a material adverse effect on our business, prospects, financial condition, and operating results.

Mining machines rely on components and raw materials that may be subject to price fluctuations or shortages, including application-specific integrated circuit ("ASIC") chips that have been subject to an ongoing significant shortage.

In order to build and sustain our self-mining operations, we are dependent on third parties to provide us with ASIC chips and other critical components for our mining equipment, which may be subject to price fluctuations or shortages. For example, the ASIC chip is the key component of a mining machine as it determines the efficiency of the device. The production of ASIC chips typically requires highly sophisticated silicon wafers, which currently only a small number of fabrication facilities, or wafer foundries, in the world are capable of producing. We believe that the current microchip shortage that the entire industry is experiencing leads to price fluctuations and disruption in the supply of key miner components. Specifically, the ASIC chips have recently been subject to a significant price increases and shortages.

There is also a risk that a manufacturer or seller of ASIC chips or other necessary mining equipment may adjust the prices according to bitcoin, other cryptocurrency prices or otherwise, so the cost of new machines could become unpredictable and extremely high. As a result, at times, we may be forced to obtain mining machines and other hardware at premium prices, to the extent they are even available. Such events could have a material adverse effect on our business, prospects, financial condition, and operating results.

We are exposed to risks related to disruptions or other failures in the supply chain for cryptocurrency hardware and difficulties in obtaining new hardware.

Manufacture, assembly and delivery of certain components and products for mining operations could be complex and long processes, in the course of which various problems could arise, including disruptions or delays in the supply chain, product quality control issues, as well other external factors, over which we have no control.

Our mining operations can only be successful and ultimately profitable if the costs associated with bitcoin mining, including hardware costs, are lower than the price of bitcoin itself. In the course of the normal operation of our cryptocurrency mining facilities, our mining machines and other critical equipment and materials related to data center construction and maintenance, such as containers, switch gears, transformers and cables, will experience ordinary wear and tear and may also face more significant malfunctions caused by a number of extraneous factors beyond our control. Declines in the condition of our mining machines and other hardware will require us, over time, to repair or replace those mining machines. Additionally, as the technology evolves, we may be required to acquire newer models of mining machines to remain competitive in the market. Any replacement of hardware may require substantial capital investment, and we may face challenges in doing so on a timely and cost-effective basis.

Our business is subject to limitations inherent within the supply chain of certain of our components, including competitive, governmental, and legal limitations, and other events. For example, we expect that we will significantly rely on foreign imports to obtain certain equipment and materials. We anticipate that the cryptocurrency mining machines for our operations will be imported from Southeast Asian countries, and other parts of equipment and materials, including ASIC chips, will be manufactured in and imported from South Korea or Taiwan. Any global trade disruption, introductions of tariffs, trade barriers and bilateral trade frictions, together with any potential downturns in the global economy resulting therefrom, could adversely affect our necessary supply chains. Our third-party manufacturers, suppliers and subcontractors may also experience disruptions by worker absenteeism, quarantines, restrictions on employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, depending on the magnitude of such effects on our supply chain, shipments of parts for our mining machines, or any new mining machines that we order, may be delayed.

The properties in our mining network may experience damages, including damages that are not covered by insurance.

Cryptocurrency mining sites are subject to a variety of risks relating to physical condition and operation, including:

- the presence of construction or repair defects or other structural or building damages;
- any noncompliance with, or liabilities under, applicable environmental, health or safety regulations or requirements or building permit requirements;
- any damage resulting from extreme weather conditions or natural disasters, such as hurricanes, earthquakes, fires, floods and snow or windstorms; and
- claims by employees and others for injuries sustained at our properties.

For example, our cryptocurrency mining facilities could be rendered inoperable, temporarily or permanently, as a result of, among others, a fire or other natural disasters. The security and other measures we anticipate to take in order to protect against these risks may not be sufficient.

Additionally, our mining operation could be adversely affected by a power outage or loss of access to the electrical grid or loss by the grid of cost-effective sources of electrical power generating capacity.

The loss of any member of our management team, our inability to execute an effective succession plan, or our inability to attract and retain qualified personnel, could adversely affect our business.

We have limited operating history, and our success and future growth depend on the skills and services of our management, including our Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer. We will need to continue to grow our management in order to alleviate pressure on our existing team and in order to set up and develop our business. If our management, including any new hires that we may make, fails to work together effectively and to execute our plans and strategies on a timely basis, our business could be significantly harmed. Furthermore, if we fail to execute an effective contingency or succession plan with the loss of any member of management, the loss of such management personnel may significantly disrupt our business.

Furthermore, the loss of key members of our management could inhibit our growth prospects. Our future success depends, in large part, on our ability to attract, retain and motivate key management and operating personnel. As we continue to develop and expand our operations, we may require personnel with different skills and experiences, who have a sound understanding of our business and the cryptocurrency industry, for example, specialists in power contract negotiations and management, as well as data center specialists. As cryptocurrency, and specifically bitcoin, mining, is a new and developing field, the market for highly qualified personnel in this industry is particularly competitive and we may be unable to attract such personnel. If we are unable to attract such personnel, it could have a material adverse effect on our business, prospects, financial condition, and operating results.

We may experience difficulties in effectively managing our expansion of hosting capacity and, subsequently, managing our growth and expanding our operations.

We expect to experience significant growth in the scope of our operations. Our ability to manage our hosting capacity and our plan to expand our self-mining capacity require us to build upon and to continue to improve our operational, financial and management controls, compliance programs and reporting systems. We may not be able to implement improvements in an efficient or timely manner and may discover deficiencies in existing controls, programs, systems and procedures, which could have a material adverse effect on our business, prospects, financial condition, and operating results.

Additionally, rapid growth in our business may place a strain on our managerial, operational and financial resources and systems. We may not grow as we expect, if we fail to manage our growth effectively or to develop and expand our managerial, operational and financial resources and systems, our business, prospects, financial condition and operating results could be adversely affected.

Unfavorable global economic, business or political conditions, such as the sudden tariff adjustments and increases, and the disruption caused by various countermeasures to reduce its spread, could adversely affect our business, prospects, financial condition, and operating results.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets, including conditions that are outside of our control, such as the impact of the sudden tariff adjustment and increase brought by the presidential transition could result in a risks to our business margin and we cannot anticipate all the ways in which the current economic climate and financial market conditions could adversely impact our business.

The sudden tariff increase or other unfavorable global economic, business or political conditions, might adversely affect our business, prospects, financial condition, and operating results.

We operate in a fast-growing industry, and we compete against unregulated or less regulated companies and companies with greater financial and other resources, and our business, operating results, and financial condition may be adversely affected if we are unable to respond to our competitors effectively.

The cryptocurrency ecosystem is highly innovative, rapidly evolving, and characterized by healthy competition, experimentation, changing customer needs, frequent introductions of new products and services, and subject to uncertain and evolving industry and regulatory requirements. In the future, we expect competition to further intensify with existing and new competitors, some of which may have substantially greater liquidity and financial resources than we do. We compete against a number of companies operating within Kazakhstan, the United States and other countries in the global cryptocurrency mining market. We may not be able to compete successfully against present or future competitors. We may not have the resources to compete with larger providers of similar services and, consequently, may experience great difficulties in expanding and improving our operations 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 model. Furthermore, we anticipate encountering new competition if we expand our operations to new locations geographically and into wider applications of blockchain, cryptocurrency mining and mining farm operations. If we are unable to expand and remain competitive, our business, prospects, financial condition and operating results could be adversely affected.

We may acquire other businesses, form joint ventures, or make other investments that could negatively affect our operating results, dilute our shareholders' ownership, increase our debt or cause us to incur significant expenses.

From time to time, we may consider potential acquisitions, joint venture, or other investment opportunities. We cannot offer any 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.

Any future acquisitions also could result in the issuance of stock, 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 common stock, preferred stock 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 stockholders in priority over our common stock holders. Additional funds may not be available on terms that are favorable to us, or at all. If the price of our common stock is low or volatile, we may not be able to acquire other companies or fund a joint venture project using stock as consideration.

If we fail to develop, maintain, and enhance our brand and reputation, our business, operating results, and financial condition may be adversely affected.

Our brand and reputation, particularly in the cryptocurrency ecosystem, is an important factor in success and development of our business. As part of our strategy, we seek to structure our relationships with our power suppliers and other potential partners as long-term partnerships. Thus, maintaining, protecting, and enhancing our reputation is also important to our development plans and relationships with our power suppliers, service providers and other counterparties.

Furthermore, we believe that the importance of our brand and reputation may increase as competition further intensifies. Our brand and reputation could be harmed if we fail to perform under our agreements or if our public image were to be tarnished by negative publicity, unexpected events or actions by third parties. Unfavorable publicity about us, including our technology, personnel, and bitcoin and crypto assets generally could have an adverse effect on the engagement of our partners and suppliers and may result in our failure to maintain or expand our business and successfully execute our business model.

Our compliance and risk management methods might not be effective and may result in outcomes that could adversely affect our reputation, operating results, and financial condition.

Our ability to comply with applicable complex and evolving laws, regulations, and rules is largely dependent on the establishment and maintenance of our compliance, audit, and reporting systems, as well as our ability to attract and retain qualified compliance and other risk management personnel. While we plan to devote significant resources to develop policies and procedures to identify, monitor and manage our risks, we cannot assure you that our policies and procedures will always be effective against all types of risks, including unidentified or unanticipated risks, or that we will always be successful in monitoring or evaluating the risks to which we are or may be exposed in all market environments.

We may not be able to adequately protect our intellectual property rights and other proprietary rights, which could have a material adverse effect on business, financial condition and results of operations.

We may not be able to obtain broad protection internationally for all of our existing and future intellectual property and other proprietary rights, and we may not be able to obtain effective protection for our intellectual property and other proprietary rights in every country in which we operate. Protecting our intellectual property rights and other proprietary rights may require significant expenditure of our financial, managerial and operational resources. Moreover, the steps that we may take to protect our intellectual property and other proprietary rights may not be adequate to protect such rights or prevent third parties from infringing or misappropriating such rights. Any of our intellectual property rights and other proprietary rights, whether registered, unregistered, issued or unissued, may be challenged by others or invalidated through administrative proceedings and/or litigation.

We may be required to spend significant resources to secure, maintain, monitor and protect our intellectual property rights and other proprietary rights. Despite our efforts, we may not be able to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property rights and other proprietary rights. We may initiate claims, administrative proceedings and/or litigation against others for infringement, misappropriation or violation of our intellectual property rights or other proprietary rights to enforce and/or maintain the validity of such rights. Any such action, if initiated, whether or not it is resolved in our favor, could result in significant expense to us, and divert the efforts of our technical and management personnel, which may have a material adverse effect on our business, financial condition and results of operations.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position could be harmed.

To protect all of our confidential and proprietary information, we plan to rely upon trademarks, copyright and trade secret protection, as well as potentially patents, non-disclosure agreements and invention assignment agreements with employees, consultants and third parties. Some elements of our business model are based on unpatented trade secrets and know-how that are not publicly disclosed. In addition to contractual measures, we plan to protect the confidential nature of our proprietary information using physical and technological security measures. Such measures may not, for example, in the case of misappropriation of a trade secret by an employee or third party with authorized access, provide adequate protection for our proprietary information.

The security measures may not prevent an employee or consultant from misappropriating our trade secrets and providing them to a competitor, and the recourse we take against such misconduct may not provide an adequate remedy to protect our interests fully. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time consuming, and the outcome is unpredictable. If any of our confidential or proprietary information, such as our trade secrets, were to be disclosed or misappropriated, or if any such information was independently developed by a competitor, our competitive position could be harmed, which could have an adverse effect on our business, operating results, and financial condition.

Third Parties may claim that we are infringing upon their intellectual property rights, which may prevent or inhibit our operations and cause us to suffer significant litigation expense even if these claims have no merit.

Our success depends significantly on our ability to operate without infringing the patents and other intellectual property rights of third parties. In recent years, there has been considerable patent, copyright, trademark, domain name, trade secret and other intellectual property development activity in the cryptocurrency space, as well as litigation, based on allegations of infringement or other violations of intellectual property, including by large financial institutions. Furthermore, individuals and groups can purchase patents and other intellectual property assets solely for the purpose of making claims of infringement to extract settlements from companies like ours.

Our use of third-party intellectual property rights may be subject to claims of infringement or misappropriation. From time to time, third parties may claim that we are infringing upon or misappropriating their intellectual property rights, and we may be found to be infringing upon such rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments.

Furthermore, the occurrence of infringement claims may be likely to grow as the cryptocurrency ecosystem grows and matures. Accordingly, our exposure to damages resulting from infringement claims could increase and this could further exhaust our financial and management resources. Even if intellectual property claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and require significant expenditures. Any of the foregoing could prevent us from competing effectively and could have an adverse effect on our business, operating results, and financial condition.

Risks Related to Government Regulation Regulatory Framework

If bitcoin or other cryptocurrencies are determined to be investment securities, and we hold a significant portion of its assets in such cryptocurrency, investment securities or non-controlling equity interests of other entities, we may inadvertently violate the Investment Company Act. We could incur large losses to modify our operations to avoid the need to register as an investment company or could incur significant expenses to register as an investment company or could terminate operations altogether.

The SEC and its staff have taken the position that certain cryptocurrencies fall within the definition of a “security” under the U.S. federal securities laws. The legal test for determining whether any given cryptocurrency is a security is a highly complex, fact-driven analysis that may evolve 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 cryptocurrency as a security. Furthermore, 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. 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 made by senior officials at the SEC indicate that the SEC does not intend to take the position that bitcoin is a security (as currently offered and sold). 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 crypto asset. As of the date of this Annual Report, with the exception of certain centrally issued crypto assets that have received “no-action” letters from the SEC staff, bitcoin and Ethereum are the only cryptocurrencies that senior officials at the SEC have publicly stated are unlikely to be considered securities. With respect to all other cryptocurrencies, there is no certainty under the applicable legal test that such assets are not securities, notwithstanding the conclusions we may draw based on our risk-based assessment regarding the likelihood that a particular crypto asset could be deemed a “security” under applicable laws.

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

If we were unable to qualify for an exemption from registration as an investment company or fail to take adequate steps within the one-year grace period for inadvertent investment companies, it would need to register with the SEC as an investment company under the Investment Company Act or cease almost all business, and its contracts would become voidable. Investment company registration is time consuming and would require a restructuring of our business. Moreover, the operation of an investment company is very costly and restrictive, as investment companies are subject to substantial regulation concerning management, operations, transactions with affiliated persons and portfolio composition, and Investment Company Act filing requirements. The cost of such compliance would result in us incurring substantial additional expenses, and the failure to register if required would have a materially adverse impact on our operations.

There can be no assurances that we will properly characterize any given cryptocurrency as a security or non-security for purposes of determining which cryptocurrencies to mine, hold and trade, or that the SEC or a court, if the question was presented to it, would agree with our assessment. We could be subject to judicial or administrative sanctions for failing to offer or sell cryptocurrencies in compliance with the registration requirements, or for acting as a broker or dealer 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. Further, if bitcoin or any other cryptocurrency that we mine, hold and trade is deemed to be a security under the laws of any U.S. federal, state, or foreign jurisdiction, or in a proceeding in a court of law or otherwise, it may have adverse consequences for such cryptocurrency. For instance, all transactions in such supported cryptocurrency would have to be registered with the SEC or other foreign authority, or conducted in accordance with an exemption from registration, which could severely limit its liquidity, usability and transactability. Further, it could draw negative publicity and a decline in the general acceptance of the crypto asset. Also, it may make it difficult for such cryptocurrency to be traded, cleared, and custodied as compared to other cryptocurrencies that are not considered to be securities.

Any change in the interpretive positions of the SEC or its staff with respect to cryptocurrencies or crypto asset mining firms could have a material adverse effect on us.

We intend to conduct our operations so that we are not required to register as an investment company under the 1940 Act. Specifically, we do not believe that cryptocurrencies, in particular bitcoin, are securities. The SEC Staff has not provided guidance with respect to the treatment of these assets under the 1940 Act. To the extent the SEC Staff publishes new guidance with respect to these matters, we may be required to adjust our strategy or assets accordingly. There can be no assurance that we will be able to maintain our exclusion from registration as an investment company under the 1940 Act. In addition, as a consequence of our seeking to avoid the need to register under the 1940 Act on an ongoing basis, we may be limited in our ability to engage in cryptocurrency mining operations or otherwise make certain investments, and these limitations could result in our holding assets we may wish to sell or selling assets we may wish to hold, which could materially and adversely affect our business, financial condition and results of operations.

If regulatory changes or interpretations of our activities require our registration as a MSB under the regulations promulgated by The Financial Crimes Enforcement Network (“FinCEN”) under the authority of the U.S. Bank Secrecy Act, or otherwise under state laws, we may incur significant compliance costs, which could be substantial or cost-prohibitive. If we become subject to these regulations, our costs in complying with them may have a material negative effect on our business and the results of our operations.

To the extent that our activities cause us to be deemed a MSB under the regulations promulgated by 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 activities would cause us to be deemed a “money transmitter” (“MT”) or equivalent designation, under state law in any state in which we may 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. For example, in August 2015, the New York State Department of Financial Services enacted the first U.S. regulatory framework for licensing participants in “virtual currency business activity”. The regulations, known as the “BitLicense”, are intended to focus on consumer protection and regulate the conduct of businesses that are involved in “virtual currencies” in New York or with New York customers and prohibit any person or entity involved in such activity to conduct activities without a license.

Such additional federal or state regulatory obligations may cause us to incur extraordinary expenses. Furthermore, we may not be capable of complying with certain federal or state regulatory obligations applicable to MSBs and MTs. If we are deemed to be subject to and determine not to comply with such additional regulatory and registration requirements, we may act to dissolve and liquidate.

There is no one unifying principle governing the regulatory status of cryptocurrency nor whether cryptocurrency is a security in each context in which it is viewed. Regulatory changes or actions in one or more countries may alter the nature of an investment in us or restrict the use of crypto assets, such as 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, with certain governments deeming cryptocurrencies illegal, and others allowing their use and trade without restriction. In some jurisdictions, such as in the U.S., crypto assets, like cryptocurrencies, are subject to extensive, and in some cases overlapping, unclear and evolving regulatory requirements.

Bitcoin is the oldest and most well-known form of cryptocurrency. Bitcoin and other forms of cryptocurrencies have been the source of much regulatory consternation, resulting in differing definitional outcomes without a single unifying statement. Bitcoin and other crypto assets are viewed differently by different regulatory and standards setting organizations globally as well as in the United States on the federal and state levels. For example, the Financial Action Task Force (“FATF”) and the Internal Revenue Service (“IRS”) consider a cryptocurrency as currency or an asset or property. Further, the IRS applies general tax principles that apply to property transactions to transactions involving virtual currency.

Furthermore, in the several applications to establish an Exchange Traded Fund (“ETF”) of cryptocurrency, and in the questions raised by the Staff under the 1940 Act, no clear principles emerge from the regulators as to how they view these issues and how to regulate cryptocurrency under the applicable securities acts. It has been widely reported that the SEC has recently issued letters and requested various ETF applications be withdrawn because of concerns over liquidity and valuation and unanswered questions about absence of reporting and compliance procedures capable of being implemented under the current state of the markets for exchange traded funds. On April 20, 2021, the U.S. House of Representatives passed a bipartisan bill titled “Eliminate Barriers to Innovation Act of 2021” (H.R. 1602). If passed by the Senate and enacted into law, the bipartisan bill would create a crypto assets working group to evaluate the current legal and regulatory framework around crypto assets in the United States and define when the SEC may have jurisdiction over a particular token or cryptocurrency (i.e., when it is a security) and when the Commodity Futures Trading Commission (the “CFTC”) may have jurisdiction (i.e., when it is a commodity).

If regulatory changes or interpretations require the regulation of bitcoin or other crypto assets under the securities laws of the United States or elsewhere, including the Securities Act of 1933, the Exchange Act and the 1940 Act or similar laws of other jurisdictions and interpretations by the SEC, the CFTC, the IRS, Department of Treasury or other agencies or authorities, we may be required to register and comply with such regulations, including at a state or local level. To the extent that we decide to continue operations, the required registrations and regulatory compliance steps may result in extraordinary expense or burdens to us. We may also decide to cease certain operations and change our business model. Any disruption of our operations in response to the changed regulatory circumstances may be at a time that is disadvantageous to us.

Current and future legislation and SEC-rulemaking and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which bitcoin or other cryptocurrencies are viewed or treated for classification and clearing purposes. In particular, bitcoin and other cryptocurrencies may not be excluded from the definition of “security” by SEC rulemaking or interpretation requiring registration of all transactions unless another exemption is available, including transacting in bitcoin or cryptocurrency among owners and require registration of trading platforms as “exchanges”.

Furthermore, when the interests of investor protection are paramount, for example in the offer or sale of Initial Coin Offering (“ICO”) tokens, the SEC has no difficulty determining that the token offerings are securities under the “Howey” test as stated by the United States Supreme Court. As such, ICO offerings would require registration under the Securities Act or an available exemption therefrom for offers or sales in the United States to be lawful. Section 5(a) of the Securities Act provides that, unless a registration statement is in effect as to a security, it is unlawful for any person, directly or indirectly, to engage in the offer or sale of securities in interstate commerce. Section 5(c) of the Securities Act provides a similar prohibition against offers to sell, or offers to buy, unless a registration statement has been filed. Although, since we do not intend to be engaged in the offer or sale of securities in the form of ICO offerings, and we do not believe our planned mining activities would require registration for us to conduct such activities and accumulate crypto assets the SEC, CFTC, Nasdaq or other governmental or quasi-governmental agency or organization may conclude that our activities involve the offer or sale of “securities”, or ownership of “investment securities”, and we may face regulation under the Securities Act or the 1940 Act. Such regulation or the inability to meet the requirements to continue operations, would have a material adverse effect on our business and operations. We may also face similar issues with various state securities regulators who may interpret our actions as requiring registration under state securities laws, banking laws, or money transmitter and similar laws, which are also an unsettled area or regulation that exposes us to risks.

We cannot be certain as to how future regulatory developments will impact the treatment of bitcoin and other cryptocurrencies under the law. If we fail to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations or be subjected to fines, penalties and other governmental action. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our business model at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any cryptocurrencies we plan to hold or expect to acquire for our own account.

Regulatory actions in one or more countries could severely affect the right to acquire, own, hold, sell or use certain cryptocurrencies or to exchange them for fiat currency.

One or more countries such as China and Russia, which have taken harsh regulatory action in the past, may take regulatory actions in the future that could severely restrict the right to acquire, own, hold, sell or use cryptocurrencies or to exchange them for fiat currency. In some nations, 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.

Furthermore, in the future, foreign governments may decide to subsidize or in some other way support certain large-scale cryptocurrency mining projects, thereby adding hash rate to the overall network. Such circumstances could have a material adverse effect on the amount of bitcoin we may be able to mine, the value of bitcoin and any other cryptocurrencies we may potentially acquire or hold in the future and, consequently, our business, prospects, financial condition and operating results.

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

Central banks in some countries have started to introduce digital forms of legal tender. For example, China’s CBDC project, known as Digital Currency Electronic Payment, has reportedly been tested in a live pilot program conducted in multiple cities in China. A 2022 survey of central banks by the Bank for International Settlements found that nine out of 10 central banks are exploring central bank digital currencies (CBDCs), and more than half are now developing them or running concrete experiments. Whether or not they incorporate blockchain or similar technology, CBDCs, as legal tender in the issuing jurisdiction, could have an advantage in competing with, or replacing, bitcoin and other cryptocurrencies as a medium of exchange or store of value. As a result, the value of bitcoin could decrease, which could have a material adverse effect on our business, prospects, financial condition, and operating results.

We cannot be certain as to how future regulatory developments will impact our business and any such additional regulatory requirements, or changes in how existing requirements are interpreted and applied, may cause us to cease all or certain of our operations or change our business model.

We cannot be certain as to how future regulatory developments will impact the treatment of cryptocurrencies, including bitcoin, and other crypto assets under the law. For example, if regulatory changes or interpretations require the regulation of bitcoin or other crypto assets under certain laws and regulatory regimes in the United States such as those administered by the SEC, the CFTC, the IRS, Department of Treasury or other agencies or authorities or similar laws and regulations of other jurisdictions, including if our crypto asset activities cause us to be deemed a “money transmitter,” “money services business” or equivalent designation under U.S. federal law, the law of any U.S. state, or foreign jurisdiction in which we operate, we may be required to register, seek licensure and comply with such regulations, including at a federal, state or local level, and implement an anti-money laundering program, reporting and recordkeeping regimes, consumer protective safeguards, and other operational requirements. To the extent that we decide to continue operations, the required registrations and regulatory compliance steps may result in extraordinary, non-recurring expenses or burdens to us, as well as on-going recurring compliance costs, possibly affecting an investment in the ADSs or our net income in a material and adverse manner. We may also decide to cease some or all operations. Any termination or disruption of our operations in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors. Furthermore, we and our service providers may not be capable of complying with certain federal or state regulatory obligations applicable to money services businesses or state money transmitters. If we are deemed to be subject to and determine not to comply with such additional regulatory and registration requirements, we may act to dissolve and liquidate our company. Any such action may adversely affect an investment in us.

If we fail to comply with such additional regulatory, licensure and registration compliance requirements, we may seek to cease all or certain of our operations or be subjected to fines, penalties, and other governmental action. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our business model at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any cryptocurrencies or crypto assets we plan to hold or expect to acquire for our own account.

We are subject to an extensive and rapidly evolving regulatory landscape and any adverse changes to, or our failure to comply with, any laws and regulations could adversely affect our brand, reputation, business, operating results and financial condition.

Our business may be or may become subject to extensive laws, rules, regulations, policies, orders, determinations, directives, treaties, and legal and regulatory interpretations and guidance in the markets in which we operate, including those typically applied to financial services and banking, securities, commodities, the exchange, and transfer of crypto assets, cross-border and domestic money and crypto asset transmission businesses, as well as those governing data privacy, data governance, data protection, cybersecurity, fraud detection, payment services (including payment processing and settlement services), consumer protection, antitrust and competition, bankruptcy, tax, anti-bribery, economic and trade sanctions, anti-money laundering, and counter-terrorist financing. Many of these legal and regulatory regimes were adopted prior to the advent of the internet, mobile technologies, crypto assets, and related technologies. As a result, they often do not contemplate or address unique issues associated with crypto assets, are subject to significant uncertainty, and vary widely across U.S. federal, state, and local jurisdictions. These legal and regulatory regimes, including the laws, rules, and regulations thereunder, evolve frequently and may be modified, interpreted, and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. Moreover, the relative novelty and evolving nature of our business and the significant uncertainty surrounding the regulation of crypto assets requires us to exercise our judgement as to whether certain laws, rules, and regulations apply to us, and it is possible that governmental bodies and regulators may disagree with our conclusions. To the extent we have not complied with such laws, rules, and regulations, we could be subject to significant fines, limitations on our business, reputational harm, and other regulatory consequences, as well as criminal penalties, each of which may be significant and could adversely affect our business, operating results and financial condition.

In addition to existing laws and regulations, various governmental and regulatory bodies, including legislative and executive bodies, in the United States, as well as in other countries may adopt new laws and regulations, or new interpretations of existing laws and regulations may be issued by such bodies or the judiciary, which may adversely impact the development and use of crypto assets as a whole, crypto asset mining operations, and our legal and regulatory status in particular by changing how we operate our business, how our operations are regulated, and what products or services we and our competitors can offer, requiring changes to our compliance and risk mitigation measures, imposing new licensing requirements or new costs of doing business, or imposing a total ban on certain activities or transactions with respect to crypto assets, as has occurred in certain jurisdictions in the past.

Due to our business activities, if laws or regulations or their respective interpretation change, we may become subject to ongoing examinations, oversight, and reviews by U.S. federal and state regulators, which would have broad discretion to audit and examine our business if we become subject to their oversight. Adverse changes to, or our failure to comply with, any laws and regulations have had, and may continue to have, an adverse effect on our reputation and brand and our business, operating results and financial condition.

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

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

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

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

Enactment of the Infrastructure Investment and Jobs Act of 2021 (the “Infrastructure Act”) may have an adverse impact on our business and financial condition.

On November 15, 2021, President Joseph R. Biden signed the Infrastructure Act. Section 80603 of the Infrastructure Act modifies and amends the Internal Revenue Code of 1986 (the “Code”) by requiring brokers of crypto asset transactions to report their customers to the IRS. This provision was included to enforce the taxability of crypto asset transactions. Section 80603 defines “broker” as “any person who (for consideration) is responsible for regularly providing any service effectuating transfers of crypto assets on behalf of another person.” That could potentially include miners, validators, and developers of decentralized applications. These functions play a critical role in our business and in the functioning of the blockchain ecosystem. Importantly, these functions have no way of identifying their anonymous users. Indeed, bitcoin’s blockchain was designed for anonymity.

This reporting requirement went into effect on January 1, 2023 and will impact tax returns filed in 2024. The implementation of these requirements will require further guidance from the federal government. Disclosing the identity of our bitcoin mining operations and associated accounts to ensure they can be taxed by the IRS could cause a significant devaluing of our business, the bitcoin currency, and the entire crypto assets market. Additionally, noncompliance with this provision could lead to significant fines and or regulatory actions against our company.

Risks Related to Cryptocurrency

The loss or destruction of any private keys required to access our digital wallet may be irreversible. If we are unable to access our private keys (whether due to loss, destruction, security incident or otherwise), it could cause direct financial loss, regulatory scrutiny and reputational harm.

Crypto assets, such as cryptocurrencies, are stored in a so-called “digital wallet”, which may be accessed to exchange a holder’s crypto assets and is controllable by the processor of both the public key and the private key relating to this digital wallet in which the crypto assets are held, both of which are unique. 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 that any of the private keys relating to any digital wallets containing our crypto assets is lost, destroyed, or otherwise compromised or unavailable, and no backup of the private key is accessible, we will be unable to access the crypto assets held in the related wallet and, in most cases, the private key will not be capable of being restored. The loss or destruction of a private key required to access crypto assets may be irreversible. Crypto assets, related technologies and crypto asset service providers such as custodians and trading platforms have been, and may in the future be, subject to security breaches, hacking, or other malicious activities. As such, any loss or misappropriation of the private keys used to control our crypto assets due to a hack, employee or service provider misconduct or error, or other compromise by third parties could result in significant losses, hurt our brand and reputation and potentially the value of any bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account, and adversely impact our business.

The storage and custody of our bitcoin assets and any other cryptocurrencies that we may potentially acquire or hold in the future are subject to cybersecurity breaches and adverse software events.

In addition to the risk of a private key loss to our digital wallet, see “*Risk Factors — Risks Related to Cryptocurrency — The loss or destruction of any private keys required to access our digital wallet may be irreversible.*”, the storage and custody of our crypto assets could also be subject to cybersecurity breaches and adverse software events. In order to minimize risk, we plan to establish processes to manage wallets, or software programs where assets are held, that are associated with our cryptocurrency holdings.

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 crypto assets.

We generally plan to hold the majority of our cryptocurrencies in cold storage to reduce the risk of malfeasance; however, we may also use third-party custodial wallets and, from time to time, we may use hot wallets or rely on other options that may develop in the future. If we use a custodial wallet, there can be no assurance that such services will be more secure than cold storage or other alternatives. 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.

Regardless of the storage method, the risk of damage to or loss of our crypto assets cannot be wholly eliminated. If our security procedures and protocols are ineffective and our cryptocurrency assets are compromised by cybercriminals, we may not have adequate recourse to recover our losses stemming from such compromise. A security breach could also harm our reputation. A resulting perception that our measures do not adequately protect our crypto assets could have a material adverse effect on our business, prospects, financial condition, and operating results.

Our bitcoin assets and other cryptocurrencies we may potentially acquire or hold in the future may be subject to loss, theft, hacking, fraud risks and restriction on access.

There is a risk that some or all of our bitcoin assets and any other cryptocurrencies we may potentially acquire or hold in the future could be lost or stolen. Hackers or malicious actors may launch attacks to steal or compromise 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. Cryptocurrency transactions and accounts are not insured by any type of government program and cryptocurrency transactions generally are permanent by design of the networks.

Certain features of cryptocurrency networks, such as decentralization, the open-source protocols, and the reliance on peer-to-peer connectivity, may increase the risk of fraud or cyber-attack by potentially reducing the likelihood of a coordinated response.

Cryptocurrencies have suffered from a number of recent hacking incidents and several cryptocurrency exchanges and mining machines have reported large cryptocurrency losses, which highlight concerns over the security of cryptocurrencies and in turn affect the demand and the market price of cryptocurrencies. For example, in August 2016, it was reported that almost 120,000 bitcoin worth around \$78 million were stolen from Bitfinex, a large bitcoin exchange. The value of bitcoin immediately decreased by more than 10% following reports of the theft at Bitfinex. In addition, in December 2017, Yopian, the operator of Seoul-based crypto asset exchange Yobit, suspended crypto asset trading and filed for bankruptcy following a hack that resulted in a loss of 17% of Yopian's assets. Following the hack, Yobit users were allowed to withdraw approximately 75% of the crypto assets in their exchange accounts, with any potential further distributions to be made following Yopian's pending bankruptcy proceedings. In January 2018, Japan-based exchange Coincheck reported that over \$500 million worth of the crypto asset NEM had been lost due to hacking attacks, resulting in significant decreases in the prices of bitcoin, Ethereum and other crypto assets as the market grew increasingly concerned about the security of crypto assets. Following South Korean-based exchange Coinrail's announcement in early June 2018 about a hacking incident, the price of bitcoin and Ethereum dropped more than 10%. In September 2018, Japan-based exchange Zaif also announced that approximately \$60 million worth of crypto assets, including bitcoin, was stolen due to hacking activities.

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. Cyber-attacks may also target our mining machines or third-parties and other services on which we depend.

Any potential security breaches, cyber-attacks on our operations and any other loss or theft of our cryptocurrency assets, which could expose us to liability and reputational harm and could seriously curtail the utilization of our services.

Distributing crypto 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.

Each digital 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 crypto 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 crypto assets to customers' wallets, such as typos, mistakes, or the failure to include the information required by the blockchain network. For example, 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 crypto 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.

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. To the extent that we are unable to recover our losses from such action, error or theft, such events could result in significant losses, hurt our brand and reputation, and adversely impact our business.

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. The market participants, therefore, are presently reliant on existing private investigative entities to investigate any potential loss of our crypto assets. These third-party service providers rely on data analysis and compliance of internet service providers with traditional court orders to reveal information such as the IP addresses of any attackers. 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 business, prospects, financial condition and operating results, including our ability to continue as a going concern.

Acceptance and/or widespread use of cryptocurrency is uncertain.

Currently, there is a relatively limited use for cryptocurrency in the retail and commercial marketplace, which we believe has contributed to price volatility of cryptocurrencies. 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. Use of cryptocurrencies as a medium of exchange and payment method may never achieve widespread adoption. Banks and other established financial institutions may, and do, 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. Furthermore, a significant portion of cryptocurrency demand, including demand for bitcoin, 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. Any such failure in acceptance and/or widespread adoption of cryptocurrencies could have an adverse effect on the value of bitcoin or any other cryptocurrencies that we otherwise acquire or hold for our own account, which could have a material adverse effect on our business, prospects, financial condition and operating results.

The open-source structure of the bitcoin network protocol means that the contributors to the protocol are generally not directly compensated for their contributions in maintaining and developing the protocol, which could adversely affect the value of bitcoin and adversely affect our business.

The bitcoin network operates based on an open-source protocol, not represented by an official organization or authority. Instead, it is maintained by a group of core contributors, largely on the Bitcoin Core project on GitHub.com. As the bitcoin network protocol is not sold and its use does not generate revenues for contributors, contributors are generally not compensated for maintaining and updating the bitcoin network protocol. The lack of guaranteed financial incentive for contributors to maintain or develop the bitcoin network and the lack of guaranteed resources to adequately address emerging issues with the bitcoin network may reduce incentives to address the issues adequately or in a timely manner.

There can be no guarantee that developer support will continue or be sufficient in the future. Additionally, some development and developers are funded by companies whose interests may be at odds with other participants in the network or with investors' interests. To the extent that material issues arise with the bitcoin network protocol and the core developers and open-source contributors are unable or unwilling to address the issues adequately or in a timely manner, the bitcoin network and consequently our business, prospects, financial condition and operating results could be adversely affected.

Significant contributors to all or a network for any particular crypto asset, such as bitcoin, could propose amendments to the respective network's protocols and software that, if accepted and authorized by such network, could adversely affect our business.

The governance of decentralized crypto assets, such as bitcoin, is by voluntary consensus and open competition. The bitcoin network is maintained by a group of contributors, largely on the Bitcoin Core project on GitHub.com, and these individuals can propose refinements or improvements to the bitcoin network's source code through one or more software upgrades that alter the protocols and software that govern the bitcoin network and the properties of bitcoin, including the irreversibility of transactions and limitations on the mining of new bitcoin. Proposals for upgrades and discussions relating thereto take place on online forums. If a significant majority of users and mining machines adopt amendments to a decentralized network based on the proposals of such core developers, such network will be subject to new protocols. Certain modifications may have an adverse effect on a crypto asset network or the value of a crypto asset or may have unintended consequences. If a developer or group of developers proposes a modification to the bitcoin network that is not accepted by a majority of mining machines and users, but that is nonetheless accepted by a substantial plurality of mining machines and users, two or more competing and incompatible blockchain implementations could result, with one running the pre-modification software program and the other running the modified version (i.e., a second "bitcoin network"). This is known as a "hard fork." Such a hard fork in the blockchain typically would be addressed by community-led efforts to reunite the forked blockchains, and several prior forks have been resolved successfully. However, a "hard fork" in the blockchain could materially and adversely affect the perceived value of bitcoin as reflected on one or both incompatible blockchains. Additionally, a "hard fork" will decrease the number of users and mining machines available to each fork of the blockchain as the users and mining machines on each fork blockchain will not be accessible to the other blockchain and, consequently, there will be fewer block rewards and transaction fees may decline in value. Any of the above could have a material adverse effect on our business, prospects, financial condition, and operating results.

A temporary or permanent blockchain "fork" could have a negative effect on the values of bitcoin or any other cryptocurrency that we mine or otherwise hold, which could adversely affect our business.

The bitcoin protocol has been subject to "forks" that resulted in the creation of new networks, including Bitcoin Cash, Bitcoin Diamond and others. These forks effectively result in a new blockchain being created with a shared history, and new path forward, and they have a different "proof of work" algorithm and other technical changes. The value of the newly created crypto assets may or may not have value in the long run and may affect the price of bitcoin if interest is shifted away from bitcoin to these newly created crypto assets. The value of bitcoin after the creation of a fork is subject to many factors including the value of the fork product, market reaction to the creation of the fork product, and the occurrence of forks in the future.

Furthermore, a hard fork can introduce new security risks. For example, when the Bitcoin Cash and Bitcoin Cash SV network split in November 2018, "replay" attacks, in which transactions from one network were rebroadcast on the other network to achieve "double-spending," plagued platforms that traded bitcoin, resulting in significant losses to some crypto asset trading platforms. Another possible result of a hard fork is an inherent decrease in the level of security. After a hard fork, it may become easier for an individual miner or mining pool's hashing power to exceed 50% of the processing power of the bitcoin network, thereby making the network more susceptible to attack.

A fork could also be introduced by an unintentional, unanticipated software flaw in the multiple versions of otherwise compatible software that users run. It is possible, however, that a substantial number of users and mining machines could adopt an incompatible version of bitcoin while resisting community-led efforts to merge the two chains. If a fork occurs on a crypto asset network which we are mining, such as bitcoin, or hold crypto assets in, it may have a negative effect on the value of the crypto asset and could have a material adverse effect on our business, prospects, financial condition, and operating results.

Because there has been limited precedent set for financial accounting for bitcoin and other cryptocurrency assets, the determinations that we have made for how to account for cryptocurrency assets transactions may be subject to change and our operating results could be adversely affected.

Because there has been limited precedent set for the financial accounting for bitcoin and other cryptocurrency assets and related revenue recognition, 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 the accounting methods we currently intend to employ in respect of our anticipated revenues and assets and restate any financial statements produced based on those methods. Such a restatement could adversely affect our business, prospects, financial condition and results of operation.

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.

Crypto assets, such as bitcoin, which may be used, among other things, to buy and sell goods and services are a new and rapidly evolving industry of which the crypto asset networks are prominent, but not unique, parts. The growth of the crypto asset industry, in general, and the crypto asset networks, in particular, are subject to a high degree of uncertainty. The factors affecting the further development of the crypto asset industry, as well as the crypto asset networks, include:

- continued worldwide growth in the adoption and use of bitcoin and other crypto assets;
- government and quasi-government regulation of bitcoin and other crypto assets and their use, or restrictions on or regulation of access to and operation of the crypto asset network or similar crypto assets systems;
- the maintenance and development of the open-source software protocol of the Bitcoin network and Ethereum network;
- changes in user demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to crypto assets; and
- the impact of regulators focusing on crypto assets and digital securities and the costs associated with such regulatory oversight.

The outcome of these factors could have negative effects on our ability to pursue our business strategy, which could have a material adverse effect on our business, prospects, financial condition, and operating results as well as potentially negative effect on the value of bitcoin or any other cryptocurrencies we may potentially acquire or hold in the future.

Banks and financial institutions may not provide banking services, or may cut off services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment.

In the future, we may be unable to find banks or financial institutions that are willing to provide us with bank accounts and other services or such service may be interrupted by government action. A number of companies that provide bitcoin or other cryptocurrency-related services 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. We also may be unable to maintain these services for our business. The difficulty that many businesses that provide bitcoin or other cryptocurrency-related services have and may continue to have in finding banks and financial institutions willing to provide them services may decrease the usefulness of cryptocurrencies as a payment system and harm public perception of cryptocurrencies. Similarly, 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 providing bitcoin or other cryptocurrency-related services. 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 commodities exchanges, the over-the-counter market and the Depository Trust Company. Such factors would have a material adverse effect on our business, prospects, financial condition, and operating results.

Cryptocurrencies, including bitcoin, 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”, which is a term for a horizontal partition of data in a database or search engine, which would not require every single transaction to be included in every single miner’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 have a material adverse effect on our business, prospects, financial condition, and operating results. In addition, as corresponding increases in throughput lag behind growth in the use of cryptocurrencies, average fees and settlement times may increase considerably. While it is possible that increased transaction fees could result in more revenue for our business, increased fees and decreased settlement speeds could preclude certain uses for cryptocurrencies, and could reduce demand for, and the price of, cryptocurrencies, which could adversely affect our business, prospects, financial condition, and operating results.

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 intends to rely on 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 business, prospects, financial condition, and operating results and potentially the value of any bitcoin or other cryptocurrencies we may potentially acquire or hold in the future.

If a malicious actor or botnet obtains control in excess of 50% of the processing power active on any crypto asset network, including the bitcoin network, it is possible that such actor or botnet could manipulate the blockchain in a manner that may adversely affect our business, prospects, financial condition, and operating results.

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 on any crypto asset network (the so-called “double-spend” or “51%” attacks), including the bitcoin network, it may be able to alter the blockchain by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the mining machines on the blockchain can add valid blocks. In such alternate blocks, the malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new crypto assets or transactions using such control.

Using alternate blocks, the malicious actor could “double-spend” its own crypto assets (i.e., spend the same crypto assets in more than one transaction) and prevent the confirmation of other users’ transactions for so long as it maintains control. To the extent that such malicious actor or botnet does not yield its majority control of the processing power, or the crypto asset community does not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible.

For example, in late May and early June 2014, a mining pool known as GHash.io approached and, during a 24- to 48-hour period in early June may have exceeded, the threshold of 50% of the processing power on the bitcoin network. To the extent that GHash.io did exceed 50% of the processing power on the network, reports indicate that such threshold was surpassed for only a short period, and there are no reports of any malicious activity or control of the blockchain performed by GHash.io. Furthermore, the processing power in the mining pool appears to have been redirected to other pools on a voluntary basis by participants in the GHash.io pool, as had been done in prior instances when a mining pool exceeded 40% of the processing power on the bitcoin network. In the recent years, there have been also a series of 51% attacks on a number of other cryptocurrencies, including Verge and Ethereum Classic, which suffered three consecutive attacks in August 2020.

The approach towards and possible crossing of the 50% threshold indicate a greater risk that a single mining pool could exert authority over the validation of crypto asset transactions. To the extent that the cryptocurrency ecosystem does not act to ensure greater decentralization of cryptocurrency mining processing power, the feasibility of a malicious actor obtaining in excess of 50% of the processing power on any crypto asset network (e.g., through control of a large mining pool or through hacking such a mining pool) will increase, which could have a material adverse effect on our business, prospects, financial condition, and operating results.

The price of cryptocurrencies may be affected by the sale of such cryptocurrencies by other vehicles investing in cryptocurrencies or tracking cryptocurrency markets, which could have a material adverse effect our business, prospects, financial condition and operating results.

We compete with other users and/or companies that are mining cryptocurrencies and other potential financial vehicles that seek to provide exposure to cryptocurrency prices, including securities backed by, or linked to, cryptocurrencies. Market and financial conditions, and other conditions beyond our control, may make it more attractive to invest in certain financial vehicles, or to invest in cryptocurrencies directly. In addition, the emergence of other financial vehicles and exchange-traded funds that provide exposure to crypto asset prices have been scrutinized by regulators and such scrutiny and the negative impressions or conclusions resulting from such scrutiny could be applied to our business and impact our ability to successfully pursue our strategy or operate at all, or to establish or maintain a public market for our securities.

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 plan to hold. Such events could have a material adverse effect on our business, prospects, financial condition, and operating results.

We may face risks of internet disruptions, which could have a material adverse effect on the price of cryptocurrencies and our ability to operate our business.

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 a material adverse effect on the price of cryptocurrencies and, consequently, our business, prospects, financial condition, and operating results.

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 and fluctuations 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 in 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 our investors.

Our interactions with a blockchain may expose us to persons named on The Office of Financial Assets Control of the U.S. Department of Treasury (“OFAC”) specially designated nationals (“SDN”) list or blocked persons or cause us to violate provisions of law that did not contemplate distribute ledger technology.

OFAC requires us to comply with its sanction program and not conduct business with persons named on its 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 internal policies prohibit 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 crypto assets. In addition, in the future, OFAC or another regulator, may require us to screen transactions for OFAC addresses or other bad actors before including such transactions in a block, which may increase our compliance costs, decrease our anticipated transaction fees and lead to decreased traffic on our network. Any of these factors, consequently, could have a material adverse effect on our business, prospects, financial condition, and operating results.

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 could have a material adverse effect on our business, prospects, financial condition, and operating results.

We may purchase and hold stablecoins as an intermediary means of settlement with vendors or means of exchange prior to purchase and hold of other cryptocurrencies, such as Bitcoin, and stablecoins have inherent counterparty risks.

We may purchase and hold stablecoins as an intermediary means of settlement with vendors or means of exchange prior to purchase and hold of other cryptocurrencies, such as Bitcoin. A stablecoin is a crypto asset that seeks to maintain a stable value and is backed by an asset or portfolio of assets, such as fiat currency like U.S. dollars. There is a risk that the stablecoin issuer does not hold the corresponding asset underlying each stablecoin in circulation and is therefore unable to fulfil one-for-one redemptions. In addition, many stablecoin issuers are unregulated and do not provide transparent disclosure regarding their compliance with applicable licensing and regulatory requirements or the financial institutions that hold the underlying stable assets. For example, in November 2021, the President’s Working Group for Financial Markets recommended that Congress pass legislation to require that stablecoin issuers be regulated in a manner similar to insured depository institutions. If a stablecoin issuer fails to maintain required licenses to issue a stablecoin, it could subject the issuer to regulatory enforcement and injunctive actions, such as freezing funds underlying the stablecoin. The stablecoin issuer could also lose its relationships with banks and bank accounts where the underlying assets are deposited if it is engaged in unlicensed activities. If the stablecoin is unable to maintain its stable value, the market price of the stable coin could decline. If any of these events affecting stablecoins we hold were to occur, the value of the affected stablecoins we hold could materially decline, and our financial condition could be adversely impacted.

Risks Related to Cryptocurrency Mining

Bitcoin is the only cryptocurrency that we currently plan to mine and, thus, our future success depends 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 depends in large part upon the value of bitcoin, because it is the only cryptocurrency that we currently plan to mine. Specifically, our revenues from our cryptocurrency mining operations are expected to be based upon two factors: (1) the number of block rewards that we successfully mine and (2) the value of bitcoin. For further details on how our operating results may be directly impacted by changes in the value of bitcoin, see “— Our historical financial statements do not reflect the potential variability in earnings that we may experience in the future relating to bitcoin holdings.”

Furthermore, in our operations we intend to use ASIC chips and machines (which we refer to as “mining machines”), which are principally utilized for mining bitcoin. Such mining machines cannot mine other cryptocurrencies, such as Litecoin, that are not mined utilizing the “SHA-256 algorithm”.

If other cryptocurrencies were to achieve acceptance at the expense of bitcoin, causing the value of bitcoin to decline, or if bitcoin were to switch its “proof of work” algorithm from SHA-256 to another algorithm for which the mining machines we plan to use are not specialized (see “— *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*”), or the value of bitcoin were to decline for other reasons, particularly if such decline were significant or over an extended period of time, our business, prospects, financial condition, and operating results would be adversely affected.

Bitcoin and other cryptocurrency market prices have historically been volatile. Our business may be adversely affected if the markets for bitcoin deteriorate or if its prices decline, including as a result of the following factors:

- the reduction in mining rewards of bitcoin, including block reward halving events, which are events that occur after a specific period of time which reduces the block reward earned by miners;
- disruptions, hacks, “forks”, 51% attacks, or other similar incidents affecting the bitcoin blockchain network;
- hard “forks” resulting in the creation of and divergence into multiple separate networks;
- informal governance led by bitcoin’s core developers that lead to revisions to the underlying source code or inactions that prevent network scaling, and which evolve over time largely based on self-determined participation, which may result in new changes or updates that affect their speed, security, usability, or value;
- the ability for bitcoin blockchain network to resolve significant scaling challenges and increase the volume and speed of transactions;
- the ability to attract and retain developers and customers to use bitcoin for payment, store of value, unit of accounting, and other intended uses;
- transaction congestion and fees associated with processing transactions on the bitcoin network;
- the identification of Satoshi Nakamoto, the pseudonymous person or persons who developed bitcoin, or the transfer of Satoshi’s bitcoin assets;
- negative public perception of bitcoin;
- development in mathematics, technology, including in digital computing, algebraic geometry, and quantum computing that could result in the cryptography being used by bitcoin becoming insecure or ineffective; and
- laws and regulations affecting the bitcoin network or access to this network, including a determination that bitcoin constitutes a security or other regulated financial instrument under the laws of any jurisdiction.

Furthermore, bitcoin pricing may be the result of, and may continue to result in, speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile or creating “bubble” type risks for bitcoin. Some market observers have asserted that the bitcoin market is experiencing a “bubble” and have predicted that, in time, the value of bitcoin could fall to a fraction of its current value, or even to zero. Bitcoin has not been in existence long enough for market participants to assess these predictions with any precision, but if these observers are even partially correct, it could have a material adverse effect on our business, prospects, financial condition, and operating results.

Our historical financial statements do not reflect the potential variability in earnings that we may experience in the future relating to bitcoin holdings.

The price of bitcoin has historically been subject to dramatic price fluctuations and is highly volatile. We intend to determine the fair value of our bitcoin based on quoted (unadjusted) prices on the active exchange that we have determined is our principal market for bitcoin. We intend to perform an analysis each quarter to identify whether events or changes in circumstances, principally decreases in the quoted (unadjusted) prices on the active exchange, indicate that it is more likely than not that any of our bitcoin assets is impaired. In determining if an impairment has occurred, we will consider the lowest price of one bitcoin quoted on the active exchange at any time since acquiring the specific bitcoin held. If the carrying value of a bitcoin exceeds that lowest price at any time during the quarter, an impairment loss is deemed to have occurred with respect to that bitcoin in the amount equal to the difference between its carrying value and such lowest price, and subsequent increases in the price of bitcoin will not affect the carrying value of our bitcoin. Gains (if any) are not recorded until realized upon sale, at which point they would be presented net of any impairment losses. In determining the gain to be recognized upon sale, we intend to calculate the difference between the sale price and carrying value of the specific bitcoin sold immediately prior to sale.

As a result, any decrease in the fair value of bitcoin below our carrying value for such assets at any time since their acquisition will require us to incur an impairment charge, and such charge could be material to our financial results for the applicable reporting period, which may create significant volatility in our reported earnings and decrease the carrying value of our crypto assets, which in turn could have a material adverse effect on our financial condition and operating results.

The supply of bitcoin is limited, and production of bitcoin is negatively impacted by the bitcoin halving protocol expected every four years.

The supply of bitcoin is limited and, once the 21 million bitcoins have been “unearthed,” the network will stop producing more. Currently, there are approximately 19 million, or 90% of the total supply of, bitcoin in circulation. Halving is an event within the bitcoin protocol where the bitcoin reward provided upon mining a block is reduced by 50%. While the effect is to slow the pace of the release of new coins, it has no impact on the quantity of total bitcoin already outstanding. Halvings are scheduled to occur once every 210,000 blocks, or roughly every four years, with the latest halving having occurred in April 2024, which revised the block reward to 3.125 bitcoin. As a result, the price of bitcoin could rise or fall based on overall investor and consumer demand. Given a stable network hash rate, should the price of bitcoin remain unchanged after the next halving, our revenue related to mining new coins would be reduced by 50%, with a significant impact on profit.

Furthermore, as the number of bitcoins remaining to be mined decreases, the processing power required to record new blocks on the blockchain may increase. Eventually the processing power required to add a block to the blockchain may exceed the value of the reward for adding a block. Additionally, at some point, there will be no new bitcoin to mine. Once the processing power required to add a block to the blockchain exceeds the value of the reward for adding a block, we may focus on other strategic initiatives, which may be complimentary to our mining operations.

Any periodic adjustments to the crypto asset networks, such as bitcoin, regarding the difficulty for block solutions, with reductions in the aggregate hash rate or otherwise, could have a material adverse effect on our business, prospects, financial condition, and operating results. If the award of new bitcoin for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power, or hash rate, to solve blocks and confirmations of transactions on the bitcoin blockchain could be slowed.

Bitcoin miners record transactions when they solve for and add blocks of information to the blockchain. They generate revenue from both newly created bitcoin, known as the “block reward” and from fees taken upon verification of transactions.

If the aggregate revenue from transaction fees and the block reward is below a miner’s cost, the miner may cease operations. If the award of new units of bitcoin for solving blocks declines and/or the difficulty of solving blocks increases, and transaction fees voluntarily paid by participants are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. For example, the current fixed reward for solving a new block on the bitcoin network is 3.125 bitcoins per block; the reward decreased from 6.25 bitcoin in April 2024, which itself was a decrease from 12.5 bitcoin in May 2020. It is estimated that it will “halve” again in about four years after the previous halving.

This reduction may result in a reduction in the aggregate hash rate of the bitcoin network as the incentive for miners decreases. Miners ceasing operations would reduce the aggregate hash rate on the bitcoin network, which would adversely affect the confirmation process for transactions (i.e., temporarily decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for block solutions). Moreover, a reduction in the hash rate expended by miners on any crypto asset network could increase the likelihood of a malicious actor or botnet obtaining control in excess of fifty percent (50%) of the aggregate hash rate active on such network or the blockchain, potentially permitting such actor to manipulate the blockchain.

Periodically, the bitcoin network has adjusted the difficulty for block solutions so that solution speeds remain in the vicinity of the expected ten (10) minute confirmation time targeted by the bitcoin network protocol. We believe that from time to time there may be further considerations and adjustments to the networks, such as bitcoin and Ethereum, regarding the difficulty for block solutions. More significant reductions in the aggregate hash rate on crypto asset networks could result in material, though temporary, delays in block solution confirmation time. Any reduction in confidence in the confirmation process or aggregate hash rate of any crypto asset network may negatively impact the value of crypto assets, which could have a material adverse effect on our business, prospects, financial condition, and operating results.

Transactional fees may decrease demand for bitcoin and prevent expansion.

As the number of bitcoins awarded in the form of block rewards for solving a block in a blockchain decreases, the relative incentive for miners to continue to contribute to the bitcoin network may transition to place more importance on transaction fees. 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 miners 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, which could have a material adverse effect on our business, prospects, financial condition, and operating results.

Our reliance on any particular model of mining machines may subject our operations to increased risk of failure.

The performance and reliability of our mining machines and our technology are critical to our reputation and our operations. If there is any technological issue with our mining machines, our entire system 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 of our mining machine may affect all our mining machines, and if a defect or flaw is exploited, our entire mine could go offline simultaneously. Any technological issue with those mining machines may force us to incur high replacement cost and lead to potential interruption of our mining activities. Any interruption, delay or system failure could have a material adverse effect on our business, prospects, financial condition, and operating results.

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.

“Proof of stake” is an alternative method in validating cryptocurrency transactions. Should the bitcoin network shift from a “proof of work” validation method to a “proof of stake” validation method, mining would require less energy and may render companies, such as ours, that may be perceived as advantageously positioned in the current climate, for example, due to lower priced electricity, processing, real estate, or hosting, less competitive. Our business model and our strategic efforts are fundamentally based upon the “proof of work” validation method and the assumption that use of lower priced electricity in our cryptocurrency mining operations will make our business model more resilient to fluctuations in bitcoin price and will generally provide us with certain competitive advantage. Consequently, if the cryptocurrency mining algorithms transition to “proof of stake” validation, we may be exposed to the risk of losing the benefit of our perceived competitive advantage that we hope to gain, and our business model may need to be reevaluated. Such events could have a material adverse effect on our business, prospects, financial condition, and operating results, including our ability to continue as a going concern.

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 plan to 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, prospects, financial condition and operating results could be adversely affected.

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 several 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 business, prospects, financial condition, and operating results.

To the extent that any miners cease to record transactions in solved blocks, transactions that do not include the payment of a transaction fee will not be recorded on the blockchain until a block is solved by a miner who does not require the payment of transaction fees. Any widespread delays in the recording of transactions could result in a loss of confidence in that crypto asset network, which could adversely impact an investment in us.

To the extent that any miners cease to record transactions in solved blocks, such transactions will not be recorded on the blockchain. Currently, there are no known incentives for miners to elect to exclude the recording of transactions in solved blocks; however, to the extent that any such incentives arise (e.g., a collective movement among miners or one or more mining pools forcing bitcoin users to pay transaction fees as a substitute for or in addition to the award of new bitcoins upon the solving of a block), actions of miners solving a significant number of blocks could delay the recording and confirmation of transactions on the blockchain. Any systemic delays in the recording and confirmation of transactions on the blockchain could result in greater exposure to double-spending transactions and a loss of confidence in certain or all crypto asset networks, which could have a material adverse effect on our business, prospects, financial condition, and operating results.

Demand for bitcoin is driven, in part, by its status as one of the most prominent and secure crypto assets. It is possible that crypto assets, other than bitcoin, could have features that make them more desirable to a material portion of the crypto asset user base, resulting in a reduction in demand for bitcoin, which could have a negative impact on the price of bitcoin and have a material adverse effect on our business, prospects, financial condition, and operating results.

Bitcoin, as an asset, holds a “first-to-market” advantage over other crypto assets. This first-to-market advantage is driven in large part by having the largest user base and, more importantly, the largest mining power in use to secure its blockchain and transaction verification system. Having a large mining network results in greater user confidence regarding the security and long-term stability of a crypto asset’s network and its blockchain; as a result, the advantage of more users and miners makes a crypto asset more secure, which makes it more attractive to new users and miners, resulting in a network effect that strengthens the first-to-market advantage.

Despite the marked first-mover advantage of the bitcoin network over other crypto asset networks, it is possible that another crypto asset could become materially popular due to either a perceived or exposed shortcoming of the bitcoin network protocol that is not immediately addressed by the bitcoin contributor community or a perceived advantage of an altcoin that includes features not incorporated into bitcoin. If a crypto asset obtains significant market share (either in market capitalization, mining power or use as a payment technology), this could reduce bitcoin’s market share as well as other crypto assets we may become involved in and have a negative impact on the demand for, and price of, such crypto assets and could have a material adverse effect on our business, prospects, financial condition, and operating results.

Bitcoin and any other cryptocurrencies that could be held by us are not insured and not subject to FDIC or SIPC protections.

Bitcoin and any other cryptocurrencies that could be held by us are not insured. Therefore, any loss that we may suffer with respect to our cryptocurrencies is not covered by insurance and no person may be liable in damages for such loss, which could adversely affect our operations. We will not hold our bitcoin or any other cryptocurrencies that we may hold with a banking institution or a member of the Federal Deposit Insurance Corporation (“FDIC”) or the Securities Investor Protection Corporation (“SIPC”) and, therefore, our cryptocurrencies will also not be subject to the protections enjoyed by depositors with FDIC or SIPC member institutions.

Risks Related to Investments Outside of the United States

As a company with operations and opportunities outside of the U.S., we may face additional burdens and be subject to a variety of additional risks or considerations associated with companies operating in an international setting that may negatively impact our operations.

As a company with operations and opportunities outside of the U.S., we may face additional burdens and be subject to a variety of additional risks or considerations associated with companies operating in an international setting, that may negatively impact our operations, including any of the following:

- higher costs and difficulties inherent in managing cross-border business operations and complying with different commercial and legal requirements of overseas markets;

- rules and regulations regarding currency redemption;
- laws governing the manner in which future business combinations may be affected;
- tariffs and trade barriers;
- regulations related to customs and import/export matters;
- local or regional economic policies and market conditions;
- unexpected changes in regulatory requirements;
- longer payment cycles;
- tax issues, such as tax law changes and variations in tax laws as compared to the U.S.;
- complex corporate withholding taxes on individuals;
- currency fluctuations and exchange controls;
- exchange listing and/or delisting requirements;
- challenges in managing and staffing international operations;
- rates of inflation;
- challenges in collecting accounts receivable;
- cultural and language differences;
- employment regulations;
- underdeveloped or unpredictable legal or regulatory systems;
- corruption;
- protection of intellectual property;
- social unrest, crime, strikes, riots, civil disturbances, regime changes, political upheaval, terrorist attacks, natural disasters and wars;
- deterioration of political relations with the U.S.; and
- government appropriation of assets.

We may not be able to adequately address these additional risks. If we were unable to do so, our operations might suffer, which may adversely impact our business, results of operations and financial condition.

Because of the costs and difficulties inherent in managing cross-border business operations, if in the future we were to operate in multiple countries, our results of operations may be negatively impacted.

Managing businesses, operations, personnel, or assets in another country is challenging and costly. Any management, now or in the future, that we may have (whether based abroad or in the U.S.) may be inexperienced in cross-border business practices and unaware of significant differences in accounting rules, legal regimes, and labor practices in countries where we have a presence or operate. Even with a seasoned and experienced management team, the costs and difficulties inherent in managing cross-border business operations, personnel and assets can be significant (and much higher than in a purely domestic business) and may negatively impact our financial and operational performance.

If social unrest, acts of terrorism, regime changes, changes in laws and regulations, political upheaval, or policy changes or enactments occur in a country in which we may operate, it may result in a negative impact on our business.

Political events in another country may significantly affect our business, assets, or operations. Social unrest, acts of terrorism, regime changes, changes in laws and regulations, political upheaval, and policy changes or enactments could negatively impact our business in a particular country.

Many countries have difficult and unpredictable legal systems and underdeveloped laws and regulations that are unclear and subject to corruption and inexperience, which may adversely impact our results of operations and financial condition.

Our ability to seek and enforce legal protections, including with respect to intellectual property and other property rights, or to defend ourselves with regard to legal actions taken against us in a given country, may be difficult or impossible, which could adversely impact our operations, assets or financial condition.

Rules and regulations in many countries are often ambiguous or open to differing interpretation by responsible individuals and agencies at the municipal, state, regional, and federal levels. The attitudes and actions of such individuals and agencies are often difficult to predict and inconsistent.

Delays with respect to the enforcement of particular rules and regulations, including those relating to customs, tax, environmental, and labor, could cause serious disruption to operations abroad and negatively impact our results.

If relations between the United States and foreign governments deteriorate, they could affect our operations and cause our goods and services to become less attractive.

The relationship between the United States and foreign governments, could be subject to sudden fluctuation and periodic tension. For instance, the United States may announce its intention to impose quotas on certain imports. Such import quotas may adversely affect political relations between the two countries and result in retaliatory countermeasures by the foreign government in industries that may affect our operations or presence in certain countries. Changes in political conditions in foreign countries and changes in the state of U.S. relations with such countries are difficult to predict and could adversely affect our operations, presence, or cause our goods and services to become less attractive.

Many of the economies in Asia are experiencing substantial inflationary pressures which may prompt the governments to take action to control the growth of the economy and inflation that could lead to a significant decrease in our profitability.

While many of the economies in Asia have experienced rapid growth over the last two decades, they currently are experiencing inflationary pressures. As governments take steps to address the current inflationary pressures, there may be significant changes in the availability of bank credits, interest rates, limitations on loans, restrictions on currency conversions and foreign investment. There also may be imposition of price controls. If prices for our services rise at a rate that is insufficient to compensate for the rise in the costs of supplies and operations, it may have an adverse effect on our profitability. If these or other similar restrictions are imposed by a government to influence the economy, it may lead to a slowing of economic growth.

If a country in Asia enacts regulations in industry segments that forbid or restrict foreign investment, our ability to continue operating could be severely impaired.

Many of the rules and regulations that companies face concerning foreign ownership are not explicitly communicated. If new laws or regulations forbid or limit foreign investment in the industry in which we operate, they could severely impair our operations and profitability. Additionally, if the relevant central and local authorities find us to be in violation of any existing or future laws or regulations, they would have broad discretion in dealing with such a violation, including, without limitation:

- levying fines;
- revoking our business and other licenses;

- requiring that we restructure our ownership or operations; and
- requiring that we discontinue any portion or all of our business.

Any of the above could have an adverse effect on our business operations and could materially reduce the value of your investment.

Corporate governance standards in Asia may not be as strict or developed as in the United States and such weakness may hide issues and operational practices that are detrimental to a business.

General corporate governance standards in some countries are weak in that they do not prevent business practices that cause unfavorable related party transactions, over-leveraging, improper accounting, family company interconnectivity and poor management. Local laws often do not go far enough to prevent improper business practices. Therefore, stockholders may not be treated impartially and equally as a result of poor management practices, asset shifting, conglomerate structures that result in preferential treatment to some parts of the overall company, and cronyism. The lack of transparency and ambiguity in the regulatory process also may result in inadequate credit evaluation and weakness that may precipitate or encourage financial crisis. We will endeavor to take steps to implement practices that will cause compliance with all applicable rules and accounting practices. Notwithstanding these intended efforts, there may be endemic practices and local laws that could add risk to our business and result in an adverse effect on our operations and financial results.

If any dividend is declared in the future and paid in a foreign currency, you may be taxed on a larger amount in U.S.

If you are a U.S. holder of our Ordinary Shares, you will be taxed on the U.S. dollar value of your dividends, if any, at the time you receive them, even if you actually receive a smaller amount of U.S. dollars when the payment is in fact converted into U.S. dollars. Specifically, if a dividend is declared and paid in a foreign currency, the amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the payments made in the foreign currency, determined at the spot rate of the foreign currency to the U.S. dollar on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Thus, if the value of the foreign currency decreases before you actually convert the currency into U.S. dollars, you will be taxed on a larger amount in U.S. dollars than the U.S. dollar amount that you will actually ultimately receive.

Risks Related to China

It may be illegal now, or in the future, to acquire, own, hold, sell or use bitcoin, Ethereum, or other cryptocurrencies, participate in blockchains or utilize similar bitcoin assets in China, 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, which have taken harsh regulatory action, may take regulatory actions in the future that could severely restrict the right to acquire, own, hold, sell or use these bitcoin assets or to exchange for fiat currency. In March 2021, the government of China’s Inner Mongolia Autonomous Region (“Inner Mongolia”), where we used to deploy mining machines, has banned cryptocurrency mining in order to constrain growth in energy consumption. In May 2021, other provinces in China have done the same and we terminated our operation in China accordingly. See “Item 4. Information of the Company— B. Business Overview.”

We face certain risks relating to the real properties that we lease.

We lease real properties from third parties primarily for our wholly owned foreign enterprise’s office use in the PRC, and the lease agreements for all of these leased properties have not been registered with the PRC government authorities as required by the PRC law. Although the failure to do so does not in itself invalidate the leases, we may be ordered by the PRC government authorities to rectify such noncompliance and, if such noncompliance were not rectified within a given period of time, we may be subject to fines imposed by the PRC government authorities ranging from RMB1,000 and RMB10,000 for those of our lease agreements that have not been registered with the relevant PRC government authorities. As of the date of this Annual Report, we are not aware of any regulatory or governmental actions, claims or investigations being contemplated or any challenges by third parties to our use of our leased properties the lease agreements of which have not been registered with the government authorities. However, we cannot assure you that the government authorities will not impose fines on us due to our failure to register any of our lease agreements, which may negatively impact our financial condition.

In addition, some of the ownership certificates or other similar proof of certain leased properties have not been provided to us by the relevant lessors. Therefore, we cannot assure you that such lessors are entitled to lease the relevant real properties to us. If the lessors are not entitled to lease the real properties to us and the owners of such real properties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the owners. As of the date of this Annual Report, we are not aware of any claim or challenge brought by any third parties concerning the use of our leased properties without obtaining proper ownership proof. If our lease agreements are claimed as null and void by third parties who are the real owners of such leased real properties, we could be required to vacate the properties, in the event of which we could only initiate the claim against the lessors under relevant lease agreements for indemnities for their breach of the relevant leasing agreements. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we are unable to relocate our operations in a timely manner, our operations may be interrupted.

In addition, as of the date of this Annual Report, certain of our premises for business operations have not been registered with local administrations. In the PRC, if a company operates business outside its registered address, the company may be required to register those premises for business operation as branch offices with the State Administration for Market Regulation or its local branches at the place where the premises are located and obtain business licenses for them as branch offices, or the company may be subject to fines imposed by the PRC government authorities ranging from RMB10,000 and RMB100,000 for the premises for business operations which have not been registered with local administrations. We may not be able to register the main premises for business operations as branch offices in a timely manner or at all due to complex procedural requirements and relocation of branch offices from time to time. We cannot assure you that we will not be subject to penalties, orders to rectify or other administrative proceedings. As of the date of this Annual Report, we are not aware of any claim or challenge brought by any third parties concerning the premises for business operations without being registered with local administrations.

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 foreign currency to make loans or additional capital contributions to our PRC subsidiaries.

We are an offshore holding company incorporated in the Cayman Islands, with no mining operations in China. Our subsidiary, which is located in China, engages in activities that are not part of its profit-making operations, such as supply chain activities, heating equipment research, and other developmental activities that are completely compliant with PRC regulations. 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 and any accompanied Annual Report on Form 20-F to supplement and capitalize or otherwise fund our PRC operations may be negatively affected.

Though we have a Singapore-based auditor and a U.S. based predecessor auditor that are registered with the PCAOB and currently subject to PCAOB inspection, if it is later determined that the PCAOB is unable to inspect or investigate completely the Company's auditors because of a position taken by an authority in a foreign jurisdiction, trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act and as a result an exchange may determine to delist our securities.

Though we have a Singapore-based auditor and a U.S. based predecessor auditor that are registered with the PCAOB and currently subject to PCAOB inspection, if it is later determined that the PCAOB is unable to inspect or investigate completely the Company's auditors because of a position taken by an authority in a foreign jurisdiction, trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act and as a result an exchange may determine to delist our securities.

The Public Company Accounting Oversight Board, or PCAOB is currently unable to conduct inspections on accounting firms in the PRC without the approval of PRC government authorities. The auditor and its audit work in the PRC may not be inspected fully by the PCAOB. Inspections of other auditors conducted by the PCAOB outside of China have at times identified deficiencies in those auditors' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections of audit work undertaken in China prevents the PCAOB from regularly evaluating the PRC auditor's audits and its quality control procedures.

Further, future developments in U.S. laws may restrict our ability or willingness to acquire certain businesses. For instance, the recently enacted Holding Foreign Companies Accountable Act (the "HFCA Act") would (i) prohibit us from using an auditor that the PCAOB determines it could not inspect or fully investigate and (ii) restrict our ability to acquire a business unless that business met certain standards of the PCAOB and would (i) prohibit the trading of securities of a company and (ii) require delisting of a company from U.S. national securities exchanges if the PCAOB is unable to inspect its public accounting firm, for three consecutive years. The HFCA Act also requires public companies to disclose, among other things, whether they are owned or controlled by a foreign government, specifically, those that are based in or have a majority or significant amount of their operations in the PRC.

On November 23, 2020, the SEC issued guidance highlighting certain risks (and their implications to U.S. investors) associated with investments in China-based issuers and summarizing enhanced disclosures the SEC recommends China-based issuers make regarding such risks. On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCA Act. We will be required to comply with these rules if the SEC identifies us as having a "non-inspection" year (as defined in the interim final rules) under a process to be subsequently established by the SEC. Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, which, if enacted, would amend the HFCA Act and require the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three. On September 22, 2021, the PCAOB adopted a final rule implementing the HFCA Act, which provides a framework for the PCAOB to use when determining, 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. Future developments in respect of increased U.S. regulatory access to audit information are uncertain, as the legislative developments are subject to the legislative process and the regulatory developments are subject to the rule-making process and other administrative procedures.

We may not be able to in the future acquire a target business due to these laws. Furthermore, the documentation we may be required to submit to the SEC proving certain beneficial ownership requirements and establishing that we are not owned or controlled by a foreign government in the event that we or the target business uses a foreign public accounting firm not subject to inspection by the PCAOB or where the PCAOB is unable to completely inspect or investigate our or the target business's accounting practices or financial statements because of a position taken by an authority in the foreign jurisdiction could be onerous and time consuming to prepare. As a result, we expressly exclude working with any auditor or any target whose auditor the PCAOB is not able to inspect for three consecutive years and thus, we may not in the future acquire a target business due to these laws.

Additionally, other developments in U.S. laws and regulatory environment, including but not limited to executive orders such as Executive Order (E.O.) 13959, “Addressing the Threat from Securities Investments That Finance Communist Chinese Military Companies,” may further restrict our ability to acquire certain PRC-based businesses.

Although the audit reports of Audit Alliance LLP incorporated in this report are prepared by Singapore auditors who are subject to inspection by the Public Company Accounting Oversight Board (the “PCAOB”), there is no guarantee that future audit reports will be prepared by auditors that are completely inspected by the PCAOB and, as such, future investors may be deprived of such inspections, which could result in limitations or restrictions to our access in the U.S. capital markets under the Holding Foreign Companies Accountable Act (the “HFCA Act”) or the Accelerating Holding Foreign Companies Accountable Act. The United States enacted the Holding Foreign Companies Accountable Act, or the HFCA Act, in December 2020. The HFCA Act includes requirements for the SEC to identify issuers whose audit reports are prepared by auditors that the PCAOB is unable to inspect or investigate completely because of a restriction imposed by a non-U.S. authority in the auditor’s local jurisdiction. In addition, under the HFCA Act, if the auditor of a U.S. listed company’s financial statements is not subject to PCAOB inspections for three consecutive “non-inspection” years after the law becomes effective, the SEC is required to prohibit the securities of such issuer from being traded on a U.S. national securities exchange, such as the NYSE and the Nasdaq, or in the U.S. over-the-counter markets. On December 2, 2021, the SEC adopted amendments to finalize rules implementing the HFCA Act, which requires the SEC to prohibit an issuer’s securities from trading on any U.S. national securities exchange and in the over-the-counter market, if the auditor is not subject to PCAOB inspections for three consecutive years. Accordingly, our securities may be prohibited from trading on the Nasdaq or other U.S. stock exchanges if our auditor is not inspected by the PCAOB for three consecutive years, and this ultimately could result in our Ordinary Shares being delisted.

Our independent registered public accounting firms issued an audit opinion on the financial statements included in this report filed with the SEC. As an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, our auditor is required by the laws of the United States to undergo regular inspections by the PCAOB.

Inspections of certain other firms outside of China that the PCAOB has conducted 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 PCAOB is currently unable to conduct inspections of audit firms located in China and Hong Kong.

Our auditors, the independent registered public accounting firms that issue the audit reports included elsewhere in this report, as auditors of companies that are traded publicly in the United States and a firm registered with the PCAOB, are subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess their compliance with the applicable professional standards. Our current auditor, Audit Alliance LLP included in this report is based in Singapore who is subject to inspection by the Public Company Accounting Oversight Board (the “PCAOB”). As of the date of this report, Audit Alliance LLP was not included in the list of PCAOB Identified Firms in the PCAOB Determination Report issued in December 2021.

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 June 2019, a bipartisan group of lawmakers introduced bills to Congress that would require the SEC to maintain a list of issuers for which the PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for such issuers, and beginning in 2025, the delisting from national securities exchanges, such as Nasdaq, of issuers included for three consecutive years on the SEC’s list. On May 20, 2020, the U.S. Senate passed S. 945, the Holding Foreign Companies Accountable Act, or the HFCA Act. The HFCA Act was approved by the U.S. House of Representatives on December 2, 2020. On December 18, 2020, the former U.S. president signed into law the HFCA Act. In essence, the HFCA Act requires the SEC to prohibit foreign companies from listing securities on U.S. securities exchanges if a company retains a foreign accounting firm that cannot be inspected by the PCAOB for three consecutive years, beginning in 2021. The enactment of the HFCA Act and any additional rulemaking efforts to increase U.S. regulatory access to audit information could cause (i) investor uncertainty for affected issuers, including SAI, (ii) the market price of our securities to be adversely affected, and (iii) us to be delisted if we are unable to meet the PCAOB inspection requirement in time (or unable to cure any requirement noncompliance).

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCA Act. We are required to comply with these rules if the SEC identifies us as having a “non-inspection” year under a process to be subsequently established by the SEC. The SEC is assessing how to implement other requirements of the HFCA Act, including the listing and trading prohibition requirements described above. Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, which, if enacted, would amend the HFCA Act and require the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three. On September 22, 2021, the PCAOB adopted a final rule implementing the HFCA Act, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCA Act, whether the Board 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 June 4, 2020, former U.S. President Donald J. Trump 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 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 non-cooperating jurisdictions that do not provide the PCAOB with sufficient access to fulfil its statutory mandate, including China, 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 workpapers and practices in non-cooperating jurisdictions 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. 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. Lastly, on December 2, 2021, the SEC adopted amendments to finalize rules implementing the submission and disclosure requirements in the HFCA Act. We are required to comply with these rules if the SEC identifies us as having a “non-inspection” year under a process to be subsequently established by the SEC.

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

We are required by PRC laws and regulations to make social insurance registration and open housing fund account with relevant governmental authorities and pay various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. If the PRC regulatory authorities determine that we shall be responsible for making up any unpaid social insurance and housing fund contributions, or that we are subject to fines and legal sanctions due to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected. Furthermore, there remains uncertainty as to whether the relevant PRC authorities will promulgate new laws and regulations or change their interpretation of existing laws and regulations, and we cannot assure you that our employment practices will be deemed to be in compliance with labor-related laws and regulations in the PRC due to the aforesaid uncertainties, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Risks Related to Doing Business in China

Pursuant to laws and regulations of PRC, there are two ways for foreign legal persons/entities to engaging in operation activities within the territory of China: the first, to establish a foreign-invested enterprise, which is incorporated according to Foreign Investment Law of PRC, within the territory of China and is wholly or partly invested by a foreign investor. The organization form, institutional framework and standard of conduct of a foreign-invested enterprise shall be subject to the provisions of the Company Law of the PRC and the Partnership Enterprise Law of the PRC and other law related regulations; or the second, to complete the approval and registration procedures with the relevant regulatory authorities in accordance with the provisions of Administrative Measures for the Registration of Enterprises of Foreign Countries (Regions) Engaging in Production and Operation Activities within the Territory of China (Revised in 2020), or Order No.31.

Policy risk of foreign investment in China.

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

Pursuant to the Special Administrative Measures for Access of Foreign Investment (2020 Edition), or the 2020 Edition Negative list, issued by The Ministry of Commerce of the PRC (the “MOFCOM”) and the NDRC on June 23, 2020, which came into effect on July 23, 2020, our business does not fall into the negative list and is permitted for foreign investment as of the date hereof. The Negative list will be revised from time to time. If the industries in which we operate are included on the negative list, our business in China will be adversely affected accordingly.

Foreign company engaged in profit-making activities in China.

According to Order No.31, foreign enterprises engaged in profit-making activities in China shall apply to the provincial market regulatory administration, or the registration authorities, for registration upon the approval of the State Council and the competent agencies authorized by the State Council, or the approving authorities; without the approval of the approving authorities and the registration approval of the registration authorities, the foreign enterprises may not conduct any production and operation activities within the territory of China. Without the approval of the approving authorities and the registration of registration authorities, foreign enterprise engaging in profit-making activities authority may be imposed penalties such as warning, fine, confiscation of illegal income, suspension of business for rectification on a case-by-case basis.

Since the inception, we mainly carried out our research and development activities through our wholly owned foreign enterprise (“WOFE”), Hangzhou Dareruohan Technology Co., Ltd., and have registered with competent registration authority.

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

The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

China is one of the jurisdictions to implement strict foreign exchange control. As a matter of fact, the free flow of bitcoin blurs the boundary of foreign exchange control. In some public speeches, officials of the Chinese State Administration of Foreign Exchange (“SAFE”) have expressed concerns about the challenges of cryptocurrency to foreign exchange control. In the event regulators believe that the circulation of bitcoin has a significant adverse impact on financial security, they may restrict the trading of bitcoin and the mining business in its jurisdiction.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

In addition to the unified policies at the national level, the attitudes of the Chinese local or provincial governments towards mining enterprises have also changed from time to time. The sharp rise in bitcoin prices this year results in increase of mining activity and electricity consumption, which may draw further attention and trigger new regulatory measures by local governments.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

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

PRC regulations relating to offshore investment activities by PRC residents may expose us or our PRC resident beneficial owners to liability and penalties under PRC law.

SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. SAFE Circular 37 is issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75. SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment in February 2015, which took effect on June 1, 2015. This notice has amended SAFE Circular 37 requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

Failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

Some of our shareholders, who directly or indirectly hold our Ordinary Shares and who were known to us as being PRC residents, have completed the foreign exchange registrations required in connection with our corporate restructuring.

However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in us, nor can we compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities or affect our ownership structure, which could adversely affect our business and prospects.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, promulgated by SAFE in 2012, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiary of such overseas listed company, and complete certain other procedures. In addition, an overseas entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who have resided in the PRC for a continuous period of not less than one year and who have been granted options or other awards are subject to these regulations because we are an overseas listed company. Failure to complete the SAFE registrations may subject them to fines and legal sanctions.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued a circular, known as Circular 82, (partly amended) which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” As all of our management members are Chinese citizen, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then we or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, WOFE, will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our Class A Ordinary Shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Class A Ordinary Shares.

Regulatory bodies of the United States may be limited in their ability to conduct investigations or inspections of our operations in China.

From time to time, we may receive requests from certain U.S. agencies to investigate or inspect the Company's operations, or to otherwise provide information. While we will be compliant with these requests from these regulators, there is no guarantee that such requests will be honored by those entities who provide services to us or with whom we associate, especially as those entities are located in China. Furthermore, since our operations were mainly conducted in China prior to July 2021, an on-site inspection of our facilities by any of these regulators may be limited or entirely prohibited. Such inspections, though permitted by us and our affiliates, are subject to the unpredictability of the Chinese enforcers, and may therefore be impossible to facilitate.

Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on the indirect transfer of equity in the past and potential acquisitions we may pursue in the future.

The PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of certain taxable assets, including, in particular, equity interests in a PRC resident enterprise, by a non-resident enterprise by promulgating and implementing SAT Circular 59 and Circular 698, which became effective in January 2008, and a Circular 7 in replacement of some of the existing rules in Circular 698, which became effective in February 2015.

Under Circular 7, where a non-resident enterprise conducts an "indirect transfer" by transferring the equity interests of a PRC "resident enterprise" indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC tax at a rate of up to 10%.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Nonresident Enterprise Income Tax at Source, or SAT Circular 37, which came into effect on December 1, 2017. The SAT Circular 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax. SAT Circular 698 was repealed from the date SAT Circular 37 was enacted.

Where a non-resident enterprise transfers taxable assets in China indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity whose equity is transferred, may report such Indirect Transfer to the relevant tax authority. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. We may be subject to filing obligations or taxed if we are the transferor in such transactions and may be subject to withholding obligations if we are the transferee in such transactions, under Circular 7 and/or SAT Circular 37. For transfer of our Ordinary Shares by investors who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Circular 7 and/or Circular 37. As a result, we may be required to expend valuable resources to comply with SAT Circular 7 and/or Circular 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that we should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

Fluctuations in exchange rates could have an adverse effect on our results of operations and the value of your investment.

Prior to transitioning our business to Singapore in July 2021, substantially all of our revenues and expenditures were denominated in RMB, whereas our reporting currency is the U.S. dollar. As a result, fluctuations in the exchange rate between the U.S. dollar and RMB could affect the relative purchasing power in RMB terms of our U.S. dollar assets. Our reporting currency is the U.S. dollar while the functional currency for our future PRC subsidiary is RMB. Gains and losses from the remeasurement of assets and liabilities that are receivable or payable in RMB are included in our consolidated statements of operations. The remeasurement has caused the U.S. dollar value of our results of operations to vary with exchange rate fluctuations, and the U.S. dollar value of our results of operations varied with exchange rate fluctuations. A fluctuation in the value of RMB relative to the U.S. dollar could impact our profits from operations and the translated value of our net assets when reported in U.S. dollars in our financial statements. This could have a negative impact on our business, financial condition or results of operations as reported in U.S. dollars. If we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our Class A Ordinary Shares or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. In addition, fluctuations in currencies relative to the periods in which the earnings are generated may make it more difficult to perform period-to-period comparisons of our reported results of operations.

We primarily conduct our business in Singapore and have re-signed business contracts with current customers and will sign future contracts with customers denominated in U.S. dollar. In 2022, most of our revenue and expenditures were denominated in U.S. dollar and that our function currency is U.S. dollar, consistent with our reporting currency. However, we continue to pursue our supply chain in China, as a result we need to convert U.S. dollar into RMB to pay our raw material costs and related expenses, appreciation of the RMB against the U.S. dollar could have an adverse effect on the RMB amount that we receive from the conversion.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have some impact on your investment.

The PRC government may exert, at any time, with little to no notice, substantial interventions and influences over the manner in which a business must conduct its business operations that cannot always be expected nor anticipated, if such business has some presence/operations in China. If the PRC government at any time substantially intervenes, influences, or establishes new policies, regulations, rules, or laws in a business's industry, such substantial intervention or influence may result in adverse impact on such business's operations and the value of such business's securities, including causing the value of such securities to decline.

The PRC government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. A company's ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, environmental regulations, land use rights, property and other matters. The central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on a company's part to ensure compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require a company to divest itself of any interests it holds in Chinese properties.

For example, the Chinese cybersecurity regulator announced on July 2, 2021, that it had begun an investigation of Didi Global Inc. (NYSE: DIDI) and two days later ordered that the company's app be removed from smartphone app stores. On July 24, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly released the Guidelines for Further Easing the Burden of Excessive Homework and Off-campus Tutoring for Students at the Stage of Compulsory Education, pursuant to which foreign investment in such firms via mergers and acquisitions, franchise development, and variable interest entities are banned from this sector.

Furthermore, on October 29, 2021, the Cyberspace Administration of China (“CAC”) publicly solicited opinions on the Measures for the Security Assessment of Data Cross-border Transfer for public comments. The Measures for the Security Assessment of Data Cross-border Transfer requires that any data processor collecting important data generated during operations within the territory of the PRC, or personal information that should be subject to security assessment according to law to an overseas recipient, shall conduct security assessment. On November 14, 2021, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security for public comments (“Draft Data Security Regulations”, together with the Measures for the Security Assessment of Data Cross-border Transfer, the “Measures and Regulations”). According to the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out the following activities: (1) the merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests, which affect or may affect national security; (2) data processors that handle the personal information of more than one million people intending to be listed abroad; (3) data processors intending to be listed in Hong Kong, which affects or may affect national security; and (4) other data processing activities that affect or may affect national security. As such aforementioned draft Measures and Regulations have not been adopted, and it remains unclear whether the formal version to be adopted in the future will have any further material changes, it is uncertain how the measures will be enacted, interpreted, or implemented; including how they will affect us.

As such, a company’s business segments may be subject to various government and regulatory interference in the provinces in which it operates. A company’s business could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. A company may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply.

Furthermore, it is uncertain when and whether a company that is currently not required to do so will be required to obtain permission from the PRC government to continue listing on U.S. exchanges in the future, and even when such permission is obtained, whether it will be denied or rescinded.

We are a global mining operator. Our operations have been completed transferred out of China in accordance with PRC regulations. As such, we do not consider ourselves as a China-based issuer. Our subsidiary, which is located in China, engages in activities that are not part of our profit-making operations, such as supply chain activities, heating equipment research, and other developmental activities that are completely compliant with PRC regulations. All of our mining operations are conducted outside of mainland China and are (i) not subject to PRC governmental intervention or risks and (ii) not required to obtain permission from any of the PRC or local governmental authorities. Additionally, we do not operate any internet platforms involving a large number of data resources related to national security, economic development, or public interests. Our business also does not relate to collecting and processing personal information, nor any cross-border data transfers. We therefore believe that we are not subject to regulations and rules of the CAC.

Although we are (i) not subject to PRC governmental intervention or risks and (ii) not required to obtain permission from any of the PRC or local governmental authorities, our business operations could still be adversely affected, directly or indirectly, by existing or future PRC laws and regulations relating to our business or industry. We are currently not required to obtain approval from Chinese authorities to list on U.S exchanges.

On February 17, 2023, the China Securities Regulatory Commission (the “CSRC”) issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “Trial Administrative Measures”) and relevant supporting guidelines (collectively, the “New Administrative Rules Regarding Overseas Listings”), which came into force since March 31, 2023. The New Administrative Rules Regarding Overseas Listings refine the regulatory system for domestic company’s overseas offering and listing by subjecting both direct and indirect overseas offering and listing activities to the filing-based administration, and clearly defines the circumstances where provisions for direct and indirect overseas offering and listing apply and relevant regulatory requirements.

According to the New Administrative Rules Regarding Overseas Listings, among other things, a domestic company in the PRC that seeks to offer and list securities in overseas markets shall fulfill the filing procedure with the CSRC as per requirement of the Trial Administrative Measures. Where a domestic company seeks to directly offer and list securities in overseas markets, the issuer shall file with the CSRC. Where a domestic company seeks to indirectly offer and list securities in overseas markets, the issuer shall designate a major domestic operating entity, which shall, as the domestic responsible entity, file with the CSRC. Initial public offerings or listings in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas. The required filing materials with the CSRC include (without limitation): (i) record-filing reports and related undertakings, (ii) compliance certificates, filing or approval documents from the primary regulators of applicants' businesses (if applicable), (iii) security assessment opinions issued by related departments (if applicable), (iv) PRC legal opinions issued by domestic law firms (with related undertakings), and (v) prospectus or listing documents. If an issuer offers securities in the same overseas market where it has previously offered and listed securities subsequently, filings shall be made with the CSRC within 3 working days after the offering is completed. Upon occurrence of any material event, such as change of control, investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities, change of listing status or transfer of listing segment, or voluntary or mandatory delisting, after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within 3 working days after the occurrence and public disclosure of such event. Further, an overseas securities company that serves as a sponsor or lead underwriter for overseas securities offering and listing by domestic companies shall file with the CSRC within 10 working days after signing its first engagement agreement for such business, and submit to the CSRC, no later than January 31 each year, an annual report on its business activities in the previous year associated with overseas securities offering and listing by domestic companies. If an overseas securities company has entered into engagement agreements before the effectuation of the Trial Administrative Measures and is serving in practice as a sponsor or lead underwriter for overseas securities offering and listing by domestic companies, it shall file with the CSRC within 30 working days after the Trial Administrative Measures take effect.

The Trial Administrative Measures also provides that if the issuer meets both of the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's revenue, profit before tax, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

Changes in the policies, regulations, rules, and the enforcement of laws of the PRC government may be quick with little to no advance notice and could cause adverse impact on a company's ability to operate profitably in the PRC.

We are a global mining operator. Our operations have been completely transferred out of China in accordance with PRC regulations. Our subsidiaries, which are located in China, engage in activities, such as supply chain, heating equipment research, and other developmental activities that are completely compliant with PRC regulations.

In the event that our business is considered by PRC authorities as having operations and generating a portion of its revenue in the PRC, economic, political, and legal developments in the PRC may affect our business, financial condition, results of operations and prospects. Policies, regulations, rules, and the enforcement of laws of the PRC government can have material effects on economic conditions in the PRC and the ability of businesses to operate profitably. Our ability to operate profitably may be adversely affected by changes in policies by the PRC government, including changes in laws, regulations or their interpretation, particularly those dealing with the Internet, including censorship and other restriction on material which can be transmitted over the Internet, security, intellectual property, money laundering, taxation and other laws that affect our ability to operate even we are located outside of China.

PRC laws and regulations governing a company's presence/business operations are sometimes vague and uncertain and any changes in such laws and regulations may impair a company's ability to operate profitably.

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations including, but not limited to, the laws and regulations governing a company's business and the enforcement and performance of a company's arrangements with customers in certain circumstances. The laws and regulations are sometimes vague and may be subject to future changes, and their official interpretation and enforcement may involve substantial uncertainty. The effectiveness and interpretation of newly enacted laws or regulations, including amendments to existing laws and regulations, may be delayed, and a company's business may be affected if it relies on laws and regulations which are subsequently adopted or interpreted in a manner different from its understanding of these laws and regulations. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. It cannot be predicted what effect the interpretation of existing or new PRC laws or regulations may have on a business.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and the enforcement of these laws, regulations and rules involves uncertainties.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection it affords. These uncertainties may affect a company's judgment on the relevance of legal requirements and its ability to enforce contractual rights or tort claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from a company.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effect. As a result, a company may not be aware of a violation of any of these policies and rules until sometime after the violation. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

From time to time, a business may have to resort to administrative and court proceedings to enforce its legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection a business enjoys than in more developed legal systems. Such uncertainties, including uncertainty over the scope and effect of a company's contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect a company's business and impede its ability to continue operations.

The filing or other requirements of the China Securities Regulatory Commission (“CSRC”) or other PRC government authorities may be required under PRC law in connection with our issuance of securities.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear. If CSRC approval under the M&A Rules is required, it is uncertain whether it would be possible for us to obtain the approval, and any failure to obtain or delay in obtaining CSRC approval for our future issuance of securities overseas would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies.

Furthermore, the recently issued Opinions on Strictly Cracking Down on Illegal Securities Activities (the “Opinions”) emphasized (i) the need to strengthen the administration over “illegal securities activities” and (ii) the supervision of overseas listings by China-based companies. The Opinions also proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents faced by China-based overseas-listed companies; although such opinions did not specify the definition of “illegal securities activities.” The Opinions further provided that the special provisions of the State Council on overseas offerings and listings by those companies limited by shares will be revised and therefore the duties of domestic industry competent authorities and regulatory agencies will be clarified. As the Opinions were newly issued and there are no further explanations or detailed rules and regulations with respect to such Opinions, there are still uncertainties regarding the interpretation and implementation of such Opinions. In addition, new rules or regulations promulgated in the future could impose additional requirements on us. For example, it was reported that the CSRC may issue new rules requiring China-based companies to seek approval before going public outside of China, including in the U.S.

Currently our business does not relate to internet content provisions nor profit-making activities via the internet within the PRC. Accordingly, our current operations are not subject to regulations and rules by the CAC. In addition, currently our mining operation is conducted, and our profits are generated outside of China. Thus, we believe we are not a China-based company.

Based upon our audited consolidated financial statements for the year ended on December 31, 2024, and as of December 31, 2024, less than 50% of our revenue, profit before tax, total assets and net assets were attributable to our PRC subsidiaries. Also, our PRC subsidiaries do not constitute a main part of our business activity, since they only engage in activities such as supply chain activities and heating equipment research, which are not part of our profit-making operations. Therefore, we believe that we do not meet both of the aforementioned criteria as provided by the Trial Administrative Measures issued by the CSRC, and thus are not subject to the New Administrative Rules Regarding Overseas Listings. However, if the CSRC or other applicable PRC authorities deemed otherwise, we may be required to complete such filing requirements before any offering of securities, which would materially affect our ability to offer securities and cause significant decreases on the price of our securities.

We cannot assure you that we will not in the future be required to obtain the approval of the CSRC or of potentially other regulatory authorities in order (i) to maintain the listing status of our Ordinary Shares on the NASDAQ or (ii) to conduct offerings of securities in the future. In the event that it is determined that we are required to obtain approval from the CSRC or any other regulatory authority, the failure to obtain such approval could result in (i) the delisting of our securities on foreign exchanges and/or (ii) a decrease in the value of our securities. We have been closely monitoring regulatory developments in China regarding any necessary approvals from the CSRC, the CAC, or other PRC regulatory authorities required for overseas listings. As of the date of this Annual Report, we have not received any inquiries, notices, warnings, sanctions, denials, or regulatory objections from the CSRC, CAC, nor any other PRC regulatory authority. To our knowledge, we (i) are covered by the permissions requirements of the CSRC and (ii) are, as of the date of this Annual Report, not required to obtain permission or approval from the CSRC nor any other PRC regulatory authority. In the event that regulations change in the future, and we are required to obtain permission or approval from the CSRC or any other PRC authority, any failure to do so could result in (i) the delisting of our securities on foreign exchanges and/or (ii) a decrease in the value of our securities (among other consequences).

In light of recent events indicating greater oversight by the CAC over data security, particularly for companies seeking to list on a foreign exchange, companies with more than one million users’ personal information in China, especially internet and technology companies, could be subject to penalties and other legal liabilities as a result of non-compliance with such PRC laws.

Companies in China are subject to various risks and costs associated with the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and other data. This data is wide ranging and relates to investors, employees, contractors, and other counterparties and third parties. These PRC laws apply not only to third-party transactions, but also to transfers of information between a holding company and its subsidiaries. These laws continue to develop, and the PRC government may adopt other rules and restrictions in the future. Non-compliance could result in penalties or other significant legal liabilities.

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 purchases internet products and services that affect or may affect national security, it should be subject to cybersecurity review by the CAC. Due to the lack of further interpretations, the exact scope of “critical information infrastructure operator” remains unclear. On July 10, 2021, the CAC publicly issued the Measures for Cybersecurity Censorship (Revised Draft for Comments) aiming to, upon its enactment, replace the existing Measures for Cybersecurity Censorship. The draft measures extend the scope of cybersecurity reviews to data processing operators engaging in data processing activities that affect or may affect national security, including listing in a foreign country. The draft measures require a company holding more than one million personal information to submit its initial public offering materials prepared for submission for cybersecurity review before listing on a foreign exchange.

In addition, the PRC Data Security Law, which was promulgated by the Standing Committee of the National People's Congress on June 10, 2021, and takes effect on September 1, 2021, requires data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data protection, data processing activities must be conducted based on data classification and hierarchical protection system for data security.

Currently our business does not relate to internet content provisions nor profit-making activities via the internet within the PRC. We also do not possess one million user's personal information in China. Accordingly, our current operations are not subject to regulations and rules aforementioned by the CAC.

Risks Related to Kazakhstan

Kazakhstan's political and economic instability could have a material adverse effect on our operations and investment risks.

The related political risks are mainly manifested in the possible political changes in Kazakhstan in the future. If there is a change in the attitude of the next president to foreign investment, the change may bring uncertain factors to Kazakhstan's foreign investment related policies (such as tariffs, economic policies, industrial policies, etc.).

In addition, due to the impact of the global financial crisis and the slowdown of world economic growth, there are uncertainties in Kazakhstan's domestic policy environment, market environment, and administrative environment. It was different before. These are reflected in:

- (1) The government of Kazakhstan has enacted increasingly strict controls over foreign-funded enterprises. It has intensified policy adjustments against foreign capital and foreign-funded enterprises. Starting from the protection of the country's interests, the Kazakhstan government has frequently introduced new policies for foreign capital and foreign-funded enterprises in the past year or two, such as business registration, labor licenses, taxation, and corporate procurement, many of which are direct restrictive measures. Foreign companies have become more and more stringent in terms of corporate taxation and security management. Environmental protection requirements are getting higher and higher, and the ever-increasing environmental pollution charges and other environmental protection charges have further increased the economic burden of enterprises.
- (2) The "Kazakhstan Content Law" stipulates the proportion of Kazakhstan's domestic goods, projects and services in the procurement of goods, projects and services by foreign capital, including the proportion of employees of different levels in Kazakhstan to foreign employees. And the number of foreign employees required decreases year over year "with the implementation of the mandatory plan for training and improving the professional level of Kazakhstan employees." The law clarifies the proportion of Kazakhstan's domestic products and services in the procurement of goods, projects and services by state-owned and non-state-owned institutions and determines the standards that should be met.
- (3) In terms of labor permits, since June 2008, the Kazakhstan government has raised the standards for the introduction of foreign labor services, and implemented new requirements in terms of education, working years, and professional work experience. Further, it has enacted new requirements. The government of Kazakhstan also requires foreign-funded enterprises to actively perform higher social responsibilities, donate to local communities, sponsor and participate in community public welfare undertakings.

There is a phenomenon of power rent-seeking. Kazakhstan's investment legislation is relatively complete, but there is a phenomenon of power rent-seeking, which creates difficulties for foreign-funded enterprises to invest in Kazakhstan.

Cryptocurrency mining operations in Kazakhstan are subject to extensive national and regional regulation which increases the costs of compliance and possible liability for non-compliance.

Cryptocurrency is subject to extensive regulation by Kazakhstan's national and regional regulatory authorities. Regional and national statutes regulate foreign investment, operational safety, intellectual property rights, information security, employees' health and safety, and other financial and digital technology controls. In Kazakhstan these regulations are mainly enforced by the Ministry of Digital Development, Innovation and Aerospace Industry. We intend to operate in compliance with all known investment, operation and digital technology standards and regulations applicable to our Kazakhstan Cryptocurrency mining activities. However, there can be no assurance that our compliance could be challenged or delayed or that future changes in local or national laws, regulations or interpretations thereof will not have a material adverse effect on our ability to commence and sustain mining operations.

Change in tax policy of Kazakhstan on cryptocurrency mining might have an adverse impact on our operating results

On June 25, 2021, Kazakhstani President Kassym-Zhomart Tokaev signed legislation officially legalizing crypto-mining in Kazakhstan. As part of this law, Kazakhstan introduced a new tax, stipulating a fee of one tenge per 1 kilowatt-hour (kW/h) for miners, starting on January 1, 2022. In the first quarter of 2022, our legal counsel in Kazakhstan advised us that the Kazakhstan government partially supports a few amendments to the existing tax code applying to crypto asset mining companies in the country, including improving the fee rate based on electricity consumption per kWh that the government charges crypto asset miners from the current 1 tenge (about \$0.0023 US dollar) per kWh to a higher rate, based on different types of electricity they consume and/or different level of total power scale they consume. The amendments proposal also includes enhancing regulation to crypto asset mining activities and control of the power supply. As the date of this report, the government is still in discussion and drafting of the final amendments to the Tax Code and any laws related to crypto asset mining activities and have not brought any of such amendments into enforcement. However, should the government of Kazakhstan impose additional tax on the mining of cryptocurrency in the future, or regulate the mining of cryptocurrency through floating electricity price, our operating results will be negatively impacted.

Cryptocurrency mining operations are subject to various risks and hazards which could result in significant costs or hinder ongoing operations.

The business of cryptocurrency mining is subject to certain types of risks, including environmental hazards, industrial accidents, and theft. While we expect to secure and maintain insurance consistent with industry practice, it is not possible to insure against all risks associated with the cryptocurrency mining business nor is it prudent to assume that insurance will continue to be available at a reasonable cost. We have not obtained property insurance because such coverage is not considered by management to be cost effective. We currently carry no insurance on any of our properties due to the current lack of any mining operations.

Risks Related to Ownership of our Class A Ordinary Shares

An active trading market for our securities may not be sustained, which would adversely affect the liquidity and price of our securities.

An active trading market for our securities may not be sustained. In addition, the price of our securities can vary due to general economic conditions and forecasts. Additionally, if our securities become delisted from the Nasdaq Capital Market and are quoted on the OTC Bulletin Board (an inter-dealer automated quotation system for equity securities that is not a national securities exchange), the liquidity and price of our securities may be more limited than if we were quoted or listed on Nasdaq, NYSE or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained.

We cannot assure you that our securities will continue to be listed on Nasdaq. In order to maintain our listing on Nasdaq, we are required to comply with certain rules of Nasdaq, including those regarding minimum shareholders' equity, minimum share price, minimum market value of publicly held shares and various additional requirements. Our continued eligibility for listing may depend on, among other things, the number of its shares that are redeemed.

If Nasdaq delists our securities from trading on its exchange and we are not able to list our securities on another national securities exchange, our securities could be quoted on an over-the-counter market. If this were to occur, we could face significant adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that our Class A Ordinary Shares are a "penny stock" which will require brokers trading in its Class A Ordinary Shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for its securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

We may redeem your unexpired IPO Warrants prior to their exercise at a time that is disadvantageous to you, thereby making your IPO Warrants worthless.

We have the ability to redeem the outstanding IPO Warrant at any time after they become exercisable and prior to their expiration, at a price of \$0.01 per IPO Warrant, provided that the closing price of our Class A Ordinary Shares equals or exceeds \$16.50 per share (including adjustments to the number of shares issuable upon exercise or the exercise price of an IPO Warrant as described under the heading "Description of Securities — IPO Warrants — Anti-Dilution Adjustments") for any 20 trading days within a 30 trading-day period ending on the third trading day prior to proper notice of such redemption and provided that certain other conditions are met. If and when the IPO Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. As a result, we may redeem the IPO Warrants as set forth above even if the holders are otherwise unable to exercise the IPO Warrants. Redemption of the outstanding IPO Warrants could force you to (i) exercise your IPO Warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (ii) sell your IPO Warrants at the then-current market price when you might otherwise wish to hold your IPO Warrants or (iii) accept the nominal redemption price which, at the time the outstanding IPO Warrants are called for redemption, we expect would be substantially less than the market value of your IPO Warrants.

Our IPO Warrants may never be in the money, and they may expire worthless.

The exercise price for our IPO Warrants is \$172.5 per-share, which exceeds the market price of our Class A Ordinary Shares, which was \$5.4, per share based on the closing price of our Class A Ordinary Shares stock on the Nasdaq Capital Market on April 25, 2025. If all of our IPO Warrants were exercised in full for cash, we would receive an aggregate of approximately \$387,173,662.50. We do not expect warrant holders to exercise their IPO Warrants and, therefore, we do not expect to receive cash proceeds from any such exercise, for so long as the IPO Warrants remain out-of-the money. There can be no assurance that the IPO Warrants will ever be in the money prior to their expiration and, as such, the IPO Warrants may expire worthless.

Our share price may change significantly, and you could lose all or part of your investment as a result.

The trading price of our Class A Ordinary Shares is likely to be volatile. The stock market recently has experienced extreme volatility. This volatility often has been unrelated or disproportionate to the operating performance of particular companies. You may not be able to resell your shares at an attractive price due to a number of factors such as the following:

- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;

- changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;
- declines in the market prices of stocks generally;
- strategic actions by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, joint ventures, other strategic relationships or capital commitments;
- any significant change in our management;
- changes in general economic or market conditions or trends in our industry or markets, such as recessions, interest rates, local and national elections, international currency fluctuations, corruption, political instability and acts of war or terrorism;
- changes in business or regulatory conditions, including new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- future sales of our Class A Ordinary Shares or other securities;
- investor perceptions or the investment opportunity associated with our Class A Ordinary Shares relative to other investment alternatives;
- the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- the development and sustainability of an active trading market for our Class A Ordinary Shares;
- actions by institutional or activist shareholders;
- changes in accounting standards, policies, guidelines, interpretations or principles; and
- other events or factors, including those resulting from natural disasters, war, acts of terrorism or responses to these events.

These broad market and industry fluctuations may adversely affect the market price of our Class A Ordinary Shares, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our Class A Ordinary Shares is low.

In the past, following periods of market volatility, shareholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of management from our business regardless of the outcome of such litigation.

Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A Ordinary Shares may view as beneficial

We have adopted a dual-class voting structure such that our ordinary shares consist of Class A Ordinary Shares and Class B Ordinary Shares. Based on our dual-class share structure, holders of Class A Ordinary Shares are entitled to one vote per share in respect of matters requiring the votes of shareholders, while holders of Class B Ordinary Shares are entitled to ten votes per share. Each Class B Ordinary Share is convertible into one Class A Ordinary Share at any time by the holder thereof, while Class A Ordinary Shares are not convertible into Class B Ordinary Shares under any circumstances. Upon any transfer of Class B Ordinary Shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B Ordinary Shares shall be automatically and immediately converted into the equal number of Class A Ordinary Shares. However, the creation of any pledge, charge, encumbrance or other third party right on any Class B Ordinary Shares to secure a holder's contractual or legal obligations, except in cases where and until any such pledge, charge, encumbrance or other third party right is enforced and results in the third party holding legal title to the relevant Class B Ordinary Shares, will not be considered as a sale, transfer, assignment or disposition and will not trigger the automatic conversion. In addition, the termination of directorship on the board or employment with us of any holder of Class B Ordinary Shares will not trigger the automatic conversion either.

Due to the disparate voting powers attached to these two classes of Ordinary Shares, Mr. Risheng Li beneficially own all of our issued Class B Ordinary Shares and he is able to exercise 85.9% of the total voting power of our issued and outstanding share capital as of December 31, 2024. You will experience further dilution to the extent that additional Class B Ordinary Shares are issued in the future. As a result, our founders will have considerable influence over matters such as electing directors and approving material mergers, acquisitions or other business combination transactions. This concentrated control will limit your ability to influence corporate matters and could also discourage others from pursuing any potential merger, takeover or other change of control transactions, which could have the effect of depriving the holders of our Class A Ordinary Shares of the opportunity to sell their shares at a premium over the prevailing market price.

The dual-class structure of our ordinary shares may adversely affect the trading market for our Class A Ordinary Shares and IPO Warrants.

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

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

As a result of our Founder holding more than 50% of the voting power of our board of directors, we will be a “controlled company” within the meaning of Nasdaq’s listing rules. Therefore, we are not required to comply with certain corporate governance rules that would otherwise apply to us as a listed company on Nasdaq including the requirement that compensation committee and nominating and corporate governance committee be composed entirely of “independent” directors (as defined by Nasdaq’s listing rules). As a “controlled company” the board of directors of us are not required to include a majority of “independent” directors. We do not intend to rely on those exemptions. However, we cannot guarantee that this may not change going forward.

Should the interests of our Founder differ from those of other shareholders, it is possible that the other shareholders might not be afforded such protections as might exist if the board of directors of us, or such committees, were required to have a majority, or be composed exclusively, of directors who were independent of our Founder or our management.

Because there are no current plans to pay cash dividends on our Class A Ordinary Shares for the foreseeable future, you may not receive any return on investment unless you sell our Class A Ordinary Shares for a price greater than that which you paid for it.

We intend to retain future earnings, if any, for future operations, expansion and debt repayment and there are no current plans to pay any cash dividends for the foreseeable future. The declaration, amount and payment of any future dividends on our Class A Ordinary Shares will be at the sole discretion of our board of directors. Our board of directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions, implications on the payment of dividends by us to our shareholders or by our subsidiaries to it and such other factors as our board of directors may deem relevant. In addition, our ability to pay dividends is limited by covenants of our existing and outstanding indebtedness and may be limited by covenants of any future indebtedness we incur. As a result, you may not receive any return on an investment in our Class A Ordinary Shares unless you sell such shares for a price greater than that which you paid for it.

If securities analysts do not publish research or reports about our business or if they downgrade our shares or our sector, our Class A Ordinary Share price and trading volume could decline.

The trading market for our Class A Ordinary Shares rely in part on the research and reports that industry or financial analysts publish about us or its business. We are not able to control these analysts. In addition, some financial analysts may have limited expertise with our model and operations. Furthermore, if one or more of the analysts who do cover us downgrade our shares or industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our Class A Ordinary Shares could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on it regularly, we could lose visibility in the market, which in turn could cause our share price or trading volume to decline.

Future sales, or the perception of future sales, by us or its shareholders in the public market could cause the market price for our Class A Ordinary Shares.

The sale of shares of our Class A Ordinary Shares in the public market, or the perception that such sales could occur, could harm the prevailing market price of our Class A Ordinary Shares. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that it deems appropriate.

We have a total of 1,110,907 Class A Ordinary Shares outstanding. All shares issued in the Business Combination are freely tradable without registration under the Securities Act and without restriction by persons other than our “affiliates” (as defined under Rule 144 of the Securities Act, “Rule 144”), including our directors, officers and other certain shareholders.

Upon the expiration or waiver of the lock-ups described above, shares held by the Investors and certain other shareholders of us will be eligible for resale, subject to volume, manner of sale and other limitations under Rule 144, when such rule becomes applicable to us. In addition, pursuant to the New Registration Rights Agreement, the Investors and certain other shareholders will have the right, subject to certain conditions, to require us to register the sale of their Ordinary Shares under the Securities Act. By exercising their registration rights and selling a large number of shares, these shareholders could cause the prevailing market price of our Class A Ordinary Shares to decline. Immediately after completion of the Business Combination, the shares covered by registration rights represent approximately 83.3% of the outstanding Ordinary Shares (including both Class A and Class B Ordinary Shares).

As restrictions on resale end or if these shareholders exercise their registration rights, the market price of our Class A Ordinary Shares could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our Class A Ordinary Shares or other securities.

In addition, our Class A Ordinary Shares issued under our 2021 Equity Incentive Plan have become eligible for sale in the public market, and our Class A Ordinary Shares reserved for future issuance under our Incentive Plan will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements, lock-up agreements and, in some cases, limitations on volume and manner of sale applicable to affiliates under Rule 144, as applicable. The number of our Class A Ordinary Shares issued and reserved under our 2021 Equity Incentive Plan is equal to 1,812,663 shares (subject to annual increase adjustments as described in our Incentive Plan). We have filed a registration statement on Form S-8 on October 19, 2022 under the Securities Act to register our Class A Ordinary Shares or securities convertible into or exchangeable for our Class A Ordinary Shares issued pursuant to the SAIH Incentive Plan. The number of our Class A Ordinary Shares issued and reserved under our SAI.TECH Global Corporation 2023 Equity Incentive Plan is equal to 1,376,792 shares (subject to annual increase adjustments as described in the SAI.TECH Global Corporation 2023 Equity Incentive Plan). We have filed a registration statement on Form S-8 on September 19, 2023 under the Securities Act to register our Class A Ordinary Shares or securities convertible into or exchangeable for our Class A Ordinary Shares issued pursuant to the SAI.TECH Global Corporation 2023 Equity Incentive Plan. The Form S-8 registration statements have automatically become effective upon filing. Accordingly, shares registered under the registration statements have been available for sale in the open market, subject to certain provisions relating to various vesting agreements, lock-up agreements or other form of agreements under the Incentive Plan and SAI.TECH Global Corporation 2023 Equity Incentive Plan.

Our issuance of additional share capital in connection with financings, acquisitions, investments, our equity incentive plans or otherwise will dilute all other shareholders.

In the future, we may also issue its securities in connection with investments or acquisitions. Because the exercise price of the IPO Warrants substantially exceeds the current trading price of our Class A Ordinary Shares, holders are unlikely to exercise such IPO Warrants in the near future, if at all, and as a result our IPO Warrants may not provide any additional capital. The amount of our Class A Ordinary Shares issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding Class A Ordinary Shares. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to our shareholders.

We have granted, and continuously expect to grant equity awards to employees and directors under our equity incentive plans. As part of our business strategy, we may acquire, make investments in or engage in strategic partnerships with companies, solutions or technologies and issue equity securities to pay for any such acquisition, investment or partnership.

Anti-takeover provisions in our governing documents could delay or prevent a change of control.

Certain provisions of the amended and restated memorandum and articles of association may have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a shareholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our shareholders.

These provisions provide for, among other things:

- the ability of our board of directors to issue one or more series of preferred shares;
- a classified board;
- a dual-class share structure;
- advance notice for nominations of directors by shareholders and for shareholders to include matters to be considered at our annual general meetings; and
- certain limitations on convening general meetings of shareholders;

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third party's offer may be considered beneficial by many of our shareholders. As a result, our shareholders may be limited in their ability to obtain a premium for their shares. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors of your choosing and to cause us to take other corporate actions you desire. See the Exhibit 2.2 entitled "*Description of Securities*" filed with this Annual Report for additional information.

Our IPO Warrants have become exercisable for our Class A Ordinary Shares, which could increase the number of shares eligible for future resale in the public market and result in dilution to our shareholders.

Outstanding IPO Warrants to purchase an aggregate of 2,244,485 our Class A Ordinary Shares have become exercisable. Each IPO Warrant entitles the holder thereof to purchase one of our Class A Ordinary Shares at a price of \$11.50 per whole share, subject to adjustment. IPO Warrants may be exercised only for a whole number of our Class A Ordinary Shares. To the extent such IPO Warrants are exercised, additional Class A Ordinary Shares will be issued, which will result in dilution to the existing holders of our Class A Ordinary Shares and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our Class A Ordinary Shares.

The warrant agreement relating to our IPO Warrants provides that any action, proceeding or claim against the Company arising out of or relating in any way to such agreement will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and that the Company irrevocably submits to such jurisdiction, which will be the exclusive forum for any such action, proceeding or claim. This exclusive forum provision could limit the ability of holders of our IPO Warrants to obtain what they believe to be a favorable judicial forum for disputes related to such agreement.

The Warrant Agreement, dated April 28, 2021, as amended on June 7, 2021 (together, the "Warrant Agreement"), provides that any action, proceeding or claim against the Company arising out of or relating in any way to such agreement, except for claims for which the federal courts have exclusive jurisdiction, such as suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, which will be the exclusive forum for any such action, proceeding or claim.

The exclusive forum provision in the Warrant Agreement may limit the ability of holders of our IPO Warrants to bring a claim in a judicial forum that it finds favorable for disputes related to the Warrant Agreement, which may discourage such lawsuits against the Company and our directors or officers. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

As discussed above, we are a foreign private issuer, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter, and, accordingly, the next determination will be made with respect to us on June 30, 2025. In the future, we would lose our foreign private issuer status if (1) more than 50% of our outstanding voting securities are owned by U.S. residents and (2) a majority of our directors or executive officers are U.S. citizens or residents, or we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. If we lose our foreign private issuer status, we will be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms, which are more detailed and extensive than the forms available to a foreign private issuer. We will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we will lose our ability to rely upon exemptions from certain corporate governance requirements under the listing rules of Nasdaq. As a U.S. listed public company that is not a foreign private issuer, we will incur significant additional legal, accounting and other expenses that we will not incur as a foreign private issuer.

As an exempted company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq's corporate governance requirements; these practices may afford less protection to shareholders. If we opt to rely on such exemptions in the future, such decision might afford less protection to holders of our Ordinary Shares. As a Cayman Islands exempted company that will be listed on the Nasdaq Capital Market, we are subject to the Nasdaq listing standards. Section 5605(b)(1), Section 5605(c)(2) and Section 5635(c) of the Nasdaq Listing Rules require listed companies to have, among other things, a majority of our board members to be independent, an audit committee of at least three members and shareholders' approval on adoption of equity incentive awards plans. However, the Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of our board of directors to consist of independent directors or the implementation of a nominating and corporate governance committee. Since a majority of our board of directors would not consist of independent directors if we relied on the foreign private issuer exemption, fewer board members would be exercising independent judgment and the level of board oversight on our management might decrease as a result. In addition, we could opt to follow Cayman Islands law instead of the Nasdaq requirements that mandate that we obtain shareholder approval for certain dilutive events, such as an issuance that will result in a change of control, certain transactions other than a public offering involving issuances of 20% or greater interests in the company and certain acquisitions of the shares or assets of another company. While we have not followed home country practice in lieu of the above requirements, we could decide in the future to follow home country practice and our board of directors could make such a decision to depart from such requirements by ordinary resolution.

As an "emerging growth company," we cannot be certain if the reduced disclosure requirements applicable to "emerging growth companies" will make our Ordinary Shares less attractive to investors.

As an "emerging growth company," we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies, including not being required to obtain an assessment of the effectiveness of our internal controls over financial reporting from our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards, which we have elected to do. We cannot predict if investors will find our Class A common stock less attractive because we will rely on these exemptions. If some investors find our Ordinary Shares less attractive as a result, there may be a less active market for our Ordinary Shares, our share price may be more volatile and the price at which our securities trade could be less than if we did not use these exemptions.

We are obligated to develop and maintain proper and effective internal controls over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in the Company and, as a result, the value of our Ordinary Shares.

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting as of the end of the fiscal year that coincides with the filing of our Annual Report on Form 20-F. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the SEC following the date we are no longer an “emerging growth company.”

Our current controls and any new controls that it develops may become inadequate because of changes in conditions in our business. In addition, changes in accounting principles or interpretations could also challenge our internal controls and require that we establish new business processes, systems and controls to accommodate such changes. Additionally, if these new systems, controls or standards and associated process changes do not give rise to the benefits that we expect or do not operate as intended, it could materially and adversely affect our financial reporting systems and processes, our ability to produce timely and accurate financial reports or the effectiveness of internal control over financial reporting. Moreover, our business may be harmed if we experience problems with any new systems and controls that result in delays in their implementation or increased costs to correct any post-implementation issues that may arise.

In connection with the audit of our consolidated financial statements as of December 31, 2023 and 2024, and for the years ended December 31, 2023 and 2024 in accordance with the standards established by PCAOB, we and our independent registered public accounting firms have identified two material weaknesses in our internal audit function which related to the absence of internal audit department with appropriate knowledge of Section 404 of the Sarbanes-Oxley Act requirements. We are committed to remediating our material weaknesses as promptly as possible. However, there can be no assurance as to when these material weaknesses will be remediated or that additional material weaknesses will not arise in the future. Even effective internal control can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of the Ordinary Shares could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

The growth and expansion of our business places a continuous, significant strain on our operational and financial resources. Further growth of our operations to support our customer base, our platform, solutions and our internal controls and procedures may not be adequate to support our operations. As we continue to grow, we may not be able to successfully implement requisite improvements to these systems, controls and processes, such as system access and change. The growth and expansion of our business places a continuous, significant strain on our operational and financial resources. Further growth of our operations to support our customer base, our information technology systems and our internal controls and procedures may not be adequate to support our operations. As we continue to grow, we may not be able to successfully implement requisite improvements to these systems, controls and processes, such as system access and change management controls, in a timely or efficient manner. Our failure to improve our systems and processes, or their failure to operate in the intended manner, whether as a result of the growth of our business or otherwise, may result in our inability to accurately forecast our revenue and expenses, or to prevent certain losses. Moreover, the failure of our systems and processes could undermine our ability to provide accurate, timely and reliable reports on our financial and operating results and could impact the effectiveness of our internal control over financial reporting. In addition, our systems and processes may not prevent or detect all errors, omissions or fraud.

As a result of our plans to expand operations, including to jurisdictions in which the tax laws may not be favorable, our tax rate may fluctuate, our tax obligations may become significantly more complex and subject to greater risk of examination by taxing authorities or we may be subject to future changes in tax law, the impacts of which could adversely affect our after-tax profitability and financial results.

Because we do not have a long history of operating at our present scale and have significant expansion plans, our effective tax rate may fluctuate in the future. Future effective tax rates could be affected by our operating results before taxes, changes in the composition of operating income and earnings in countries or jurisdictions with differing tax rates, including as we expand into additional jurisdictions, changes in deferred tax assets and liabilities, changes in accounting and tax standards or practices, changes in tax laws, changes in the tax treatment of share-based compensation, and our ability to structure our operations in an efficient and competitive manner.

Due to the complexity of multinational tax obligations and filings, we may have a heightened risk related to audits, examinations or administrative appeals by taxing authorities. Outcomes from current and future tax audits, examinations or administrative appeals could have an adverse effect on our after-tax profitability and financial condition. Additionally, several tax authorities have increasingly focused attention on intercompany transfer pricing with respect to sales of products and services and the use of intangibles. Tax authorities could disagree with our intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. If we do not prevail in any such disagreements, our profitability may be affected.

Our after-tax profitability and financial results may also be adversely impacted by changes in the relevant tax laws and tax rates, treaties, regulations, administrative practices and principles, judicial decisions and interpretations thereof, in each case, possibly with retroactive effect. For example, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS recently entered into force among the jurisdictions that have ratified it. Additionally, many countries and organizations, such as the Organization for Economic Cooperation and Development, are also actively considering changes to existing tax laws or have proposed or enacted new laws that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. These recent changes and proposals could negatively impact our taxation, especially as we expand our relationships and operations internationally.

If a U.S. Holder is treated as owning at least 10% by vote or value of our shares, such holder may be subject to adverse U.S. federal income tax consequences.

If a United States person (as defined in Section 7701(a)(30) of the Code) is treated as owning (directly, indirectly, or constructively) at least 10% of the total combined voting power of all classes of our shares entitled to vote or at least 10% of the total value of shares of all classes of our shares, such person may be treated as a “United States shareholder” with respect to each “controlled foreign corporation” (“CFCs”) in our group (if any), which may subject such person to adverse U.S. federal income tax consequences. Specifically, a United States shareholder of a CFC may be required to annually report and include in its U.S. taxable income its pro rata share of such CFC’s “Subpart F income,” “global intangible low-taxed income” and investments in U.S. property, whether or not SAIH makes any distributions of profits or income of such CFC to such United States shareholder. If a U.S. Holder is treated as a United States shareholder of a CFC, failure to comply with applicable reporting obligations may subject such holder to significant monetary penalties and may extend the statute of limitations with respect to such holder’s U.S. federal income tax return for the year for which reporting was due. Additionally, a United States shareholder of a CFC that is an individual would generally be denied certain tax deductions or foreign tax credits in respect of its income that may otherwise be allowable to a United States shareholder that is a U.S. corporation.

We cannot provide any assurances that we will assist holders of our shares in determining whether SAIH or any of our non-U.S. subsidiaries are treated as CFCs or whether any holder of the Ordinary Shares is treated as a United States shareholder with respect to any such CFC, nor do we expect to furnish to any United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. The U.S. Internal Revenue Service has provided limited guidance regarding the circumstances in which investors may rely on publicly available information to comply with their reporting and taxpaying obligations with respect to CFCs. Each U.S. investor should consult its advisors regarding the potential application of these rules to an investment in the Ordinary Shares.

We may become a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. Holders of Ordinary Shares.

Based on the fiscal year 2024 composition of our income, assets and operations and that of our subsidiaries, we do not expect to be a PFIC in the 2024 taxable year or in future taxable years, although there can be no assurance in this regard. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of us and our subsidiaries’ income and assets, and the market value of us and our subsidiaries’ assets, from time to time. Specifically, for any taxable year a non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes if either: (1) 75% or more of our gross income in that taxable year is passive income, or (2) 50% or more of the value of our assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income. The calculation of the value of us and our subsidiaries’ assets will be based, in part, on the quarterly market value of our Ordinary Shares, which is subject to change.

The determination of whether we or our subsidiaries will be or become a PFIC may also depend, in part, on how, and how quickly, we use liquid assets and the cash acquired from the Business Combination or otherwise. If we were to retain significant amounts of liquid assets, including cash, the risk of us being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the 2024 taxable year or any future taxable year. If we were classified as a PFIC for any year during which a U.S. Holder held Ordinary Shares, we generally would continue to be treated as a PFIC for all succeeding years during which such holder held Ordinary Shares.

If we were to become a PFIC, such characterization could result in adverse U.S. federal income tax consequences to U.S. Holders of our Ordinary Shares. For example, if we are a PFIC, U.S. Holders of our Ordinary Shares may become subject to increased tax liabilities under U.S. federal income tax laws and regulations and will become subject to burdensome reporting requirements. We cannot assure any investor that we will not be a PFIC for the 2024 taxable year or any future taxable year. U.S. investors should consult their own tax advisors about the circumstances that may cause us to be classified as a PFIC and the consequences if we are classified as a PFIC.

There can be no assurance that SAIH will be able to comply with the continued listing standards of Nasdaq.

If Nasdaq delists SAIH’s shares from trading on its exchange for failure to meet the applicable listing standards, we and our stockholders could face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that our Common Stock is a “penny stock” which will require brokers trading in our Common Stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for shares of our Common Stock;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

On October 2, 2024, the Company received a notification (the “Notice”) from the Nasdaq that the Company is no longer in compliance with the minimum bid price requirements of Nasdaq Listing Rule 5450(a)(1). The Company received the Notice because, according to the Notice, for the 30 consecutive trading days between August 20, 2024 and October 1, 2024, the bid price of the Company’s Class A Ordinary Shares closed below the \$1.00 per share minimum bid price required for continued listing on Nasdaq (the “Minimum Bid Price Requirement”). The Notice has no immediate effect on the listing of the Company’s Class A Ordinary Shares, and they will continue to trade on Nasdaq under the ticker symbol “SAIH.”

Under Nasdaq Listing Rule 5810(c)(3)(A), if during the 180 calendar days after receipt of Notice, or until March 31, 2025 (the “Compliance Period”), the closing bid price of the Company’s Class A Ordinary Shares is at least \$1.00 for a minimum of 10 consecutive business days, the Company will regain compliance with the Minimum Bid Price Requirement and its Class A Ordinary Shares will continue to be eligible for listing on the Nasdaq Global Market absent noncompliance with any other requirement for continued listing. If the Company does not regain compliance with the Minimum Bid Price Requirement by the end of the Compliance Period, however, under Nasdaq Listing Rule 5810(c)(3)(A)(ii), the Company may be eligible for an additional 180-day compliance period if it applies to transfer the listing of its Class A Ordinary Shares to the Nasdaq Capital Market. To qualify, the Company would be required to pay Nasdaq a \$5,000 application fee to transfer to the Nasdaq Capital Market, meet all of the other initial listing standards for the Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and provide Nasdaq with written notice of its intention to cure the minimum bid price deficiency during the second compliance period. If the Company does not regain compliance with the Minimum Bid Price Requirement by the end of the Compliance Period (or the Compliance Period as may be extended), and the Company has not effectuated a reverse stock split in order to bring its stock price up above \$1.00 for at least 10 consecutive trading days, the Company’s Class A Ordinary Shares will be subject to delisting.

At an Extraordinary General Meeting of the shareholders of the Company held on the 26th of February 2025, SAIH stockholders approved a reverse stock split of the Company's ordinary shares, at a ratio of 1-for-15, (the "Reverse Stock Split"), and authorize the Board of Directors to implement such Reverse Stock Split at its discretion at any time prior to the one-year anniversary of the Meeting, in order to regain compliance with Nasdaq Listing Rule 5550(a)(2), which requires listed securities to maintain a minimum bid price of US\$1.00 per share.

We may consider implementing a share consolidation to adjust our capital structure or meet listing requirements. While such a transaction is intended to enhance the perceived value of shares or align with market standards, which could result following risks.

- **Reduced Liquidity:** A share consolidation decreases the number of outstanding shares, potentially leading to lower trading volumes and reduced liquidity in the secondary market. This may make it more difficult for investors to buy or sell shares at desired prices.
- **Volatility in Share Price:** The market may react unpredictably to a share consolidation, resulting in increased short-term price volatility. There is no guarantee that the post-consolidation share price will reflect the pre-consolidation price proportionally.
- **Perception and Investor Confidence:** Share consolidations may be viewed negatively by investors, signaling financial distress or underperformance, even if undertaken for strategic reasons. This could adversely affect the Company's reputation and investor sentiment.
- **Market Capitalization Impact:** A share consolidation does not alter the Company's underlying value, operations, or assets. However, it may disproportionately impact smaller shareholders and could reduce the Company's attractiveness to certain institutional investors with minimum shareholding requirements.

Investors are advised to carefully evaluate the potential risks and implications of any share consolidation. The Company will provide advance notice of such actions and disclose the rationale and terms in compliance with applicable regulations.

General Risk Factors

Our operations could be adversely affected by events outside of our control, such as natural disasters, including floods, earthquakes or hurricanes, wars, health epidemics or incidents such as loss of power supply.

The occurrence of a natural disaster such as an earthquake, hurricane, drought, flood, fire, localized extended outages of critical utilities or transportation systems, or any critical resource shortages could cause a significant interruption in our business, damage or destroy our facilities or inventory, and cause us to incur significant costs, any of which could harm our business, financial condition, and results of operations. The insurance we maintain against fires, earthquakes, hurricanes and other disasters and damage may not be adequate to cover losses in any particular case.

Further, severe natural disasters could affect our data centers in a temporal or longer-term fashion which would adversely affect our ability to operate our network.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

SAIHEAT is a computing and energy operator dedicated to accelerating the realization of Sustainable Augmented Intelligence. Its computing division offers BTC joint computing power and AI cloud computing services, while its energy division provides liquid-cooled computing centers and small modular nuclear products.

We are dedicated to providing computing and clean services based on cloud-computing, liquid cooling, small modular reactor, or SMR, and chip waste heat utilization technology. The Company sustainable distributed clean-tech in heating industries for bitcoin mining, we provide a full suite of specialized services on crypto asset mining for our customers, including the purchase of mining machines, hosting service, and mining pool service. We creatively offer liquid cooling and nuclear SMR technology to optimize the energy efficiency of our customers to the greatest extent possible.

The Company was incorporated on February 2, 2021. On April 29, 2022, it completed the Business Combination and SAITECH Limited became a wholly owned subsidiary of the SAI.TECH Global Corporation, subsequently renamed as SAIHEAT Limited. See the section entitled "Explanatory Note" in this Form 20-F for additional information regarding SAIHEAT Limited and the Business Combination Agreement. A copy of our Business Combination Agreement, and the amendments thereto, is attached as exhibits 4.1 – 4.4 to this Annual Report.

SAIHEAT Limited is subject to certain of the informational filing requirements of the Exchange Act. Because SAIHEAT Limited is a “foreign private issuer”, it is exempt from the rules and regulations under the Exchange Act prescribing the furnishing and content of proxy statements, and the officers, directors and principal shareholders of SAIHEAT Limited are exempt from the reporting and “short-swing” profit recovery provisions contained in Section 16 of the Exchange Act with respect to their purchase and sale of common shares. In addition, SAIHEAT Limited is not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. public companies whose securities are registered under the Exchange Act. However, the Company is required to file with the SEC an Annual Report on Form 20-F containing financial statements audited by an independent accounting firm. The SEC also maintains a website at www.sec.gov that contains reports and other information that SAIHEAT Limited files with or furnishes electronically to the SEC.

Our principal place of business is located at c/o #266A South Bridge Road, #02-01 Singapore (058815). Our telephone number at this address is (+65) 9656 5641. Our registered office in the Cayman Islands is located at the offices of 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands. We maintain our website at <https://saiheat.com/>. The information contained on the website does not form a part of, and is not incorporated by reference into, this Annual Report.

For information regarding our principal capital expenditures, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures.”

B. Business Overview

SAIHEAT is a computing and energy operator dedicated to accelerating the realization of Sustainable Augmented Intelligence. Its computing division offers BTC joint computing power and AI cloud computing services, while its energy division provides liquid-cooled computing centers and small modular nuclear products.

We are dedicated to providing computing and clean services based on cloud-computing, liquid cooling, SMR and chip waste heat utilization technology. The Company sustainable distributed clean-tech in heating industries for bitcoin mining, we provide a full suite of specialized services on crypto asset mining for our customers, including the purchase of mining machines, hosting service, and mining pool service. We creatively offer liquid cooling and nuclear SMR technology to optimize the energy efficiency of our customers to the greatest extent possible.

Our business primarily consists of sales of products, hosting service, mining pool service and mining revenue, which accounted for approximately 45%, 1%, 1% and 53% of our total revenue, respectively, for the fiscal year ended December 31, 2024. Since our founding in 2019, we have been committed to developing comprehensive energy-saving bitcoin mining solutions that can optimize the major costs of the operation and promote clean energy transition for our clients. The uniqueness of our solutions is that we use proprietary liquid cooling and waste heat recovery technology for bitcoin mining activities, which utilizes waste heat generated from bitcoin mining operation at up to 97% thermal efficiency to provide recycled energy in form of hot water to potential heating demand customers. Our mission is to become the sustainable distributed crypto asset mining operator and heating supplier globally, while simultaneously promote the clean energy transition of the bitcoin mining, power and heating industries.

As of the date of this Annual Report, our mining revenue involved one datacenter, which consisted of 734 bitcoin mining machines, in Marietta, Ohio, the United States (“SAI NODE Marietta”), with a hash rate of approximately 110.85 PH/s, and a group of 420 bitcoin mining machines hosted at our datacenter partner in La Pechuga, Mexico (the “Mexico Operation”), with a hash rate of approximately 43.68 PH/s. We possessed a total of 154.53 PH/s of managing hash rate as of the date of this Annual Report.

Below is a summary listing our current mining revenue:

Project Name	Location	Fleet Size	Operating Hash Rate	Power
SAI NODE Marietta	Marietta, OH, U.S.	734	110.85 PH/s	2.81 MW
Mexico Operation	La Pachuga, Mexico	420	43.68 PH/s	1.29 MW
Total		1,154	154.53 PH/s	4.1 MW

We distinguish ourselves in the crypto asset mining sector with our innovative liquid cooling and waste heat recovery technology, marking a pivotal shift towards energy efficiency and environmental sustainability in bitcoin mining operations. This technology not only supports the transition to clean energy but also aligns with our mission to foster a sustainable future for the bitcoin mining, power, and heating industries. Our efforts are complemented by a professional team with rich field experience and first-mover advantages in liquid cooling know-how, which enables us to offer flexible, cost-effective solutions to our customers. Furthermore, our commitment to carbon neutrality and climate action is underscored by our participation in global initiatives, enhancing our position in promoting sustainable practices within the industry.

Our target customers include both large-scale miners and institutional investors. Target institutional investors include entities that are diversifying their portfolios by adopting crypto asset-mining assets, which can be a more economic approach to acquire crypto assets as compared to buying such assets on secondary markets. Starting from 2022, we began to develop our mining revenue. Strategically, we focus on deploying our self-developed infrastructure products in our mining operation globally, which are series of containerized datacenters that applies our proprietary liquid cooling and waste heat recovery technologies, reuse excessive heat generated by bitcoin mining machines and provide steady hot water for agricultural, commercial, residential and industrial large-scale heating applications scenarios. Our products and solutions can reduce aggregate carbon emissions compared to traditional stand-alone heating and bitcoin mining, while also reducing the mining operation costs by potentially selling the recovered heat.

Our Operations and Services

Sale of Products

We sell high-performance crypto asset mining machines, primarily bitcoin mining machines, to our customers. Sale of equipment that we have purchased allows us to capture price opportunities on the crypto asset mining machine market. For the fiscal year ended December 31, 2022, 2023, and 2024, we generated \$8.63 million, \$4.80 million, and \$2.50 million in revenue, respectively, from sale of equipment.

Hosting Service

We provide bitcoin mining machine hosting service based on cloud-computing, including hosting, logistics, and maintenance service to our customers, through collaboration with third-party datacenter partners. For the fiscal year ended December 31, 2022, 2023 and 2024, we generated \$1.30 million, \$0.37 million and \$0.05 million in revenue, respectively, from hosting service.

Mining Pool Service

We provide mining pool service to our customers using Sai.plus, our mining pool. We collect mining rewards from the mining pool and allocate mining rewards to each pool participants, mainly our hosting clients. For the fiscal year ended December 31, 2022, 2023 and 2024, we generated \$0.68 million, \$0.31 million and \$0.07 million in revenue, respectively, from mining pool service.

Mining Revenue

We engage in cryptocurrency mining operation, primarily Bitcoins, for our own account. Bitcoin mining operation is one of the two common ways for people to obtain bitcoins, besides purchasing bitcoins from someone else on primary or secondary market. Self-mining allows us to obtain bitcoins at a cost lower than purchasing bitcoin from someone else, and to retain the appreciation potential of Bitcoin to support our ongoing expansion and operation. For the fiscal year ended December 31, 2022, 2023, and 2024, we generated \$0.03 million, \$1.30 million, and \$2.92 million in revenue, respectively, from our mining revenue. We build our own mining facilities, or contract third-party datacenter partners, to deploy our fleet of bitcoin mining machines.

Our Products

Overview

Since our inception in 2019, we have been developing advanced liquid cooling technologies for crypto assets, specifically, bitcoin mining machines. We develop and integrate waste heat recovery technology into liquid cooling systems that applies to bitcoin mining machines, effectively turning traditional mining machines into “electric boilers” with up to 97% thermal efficiency. Our first generation of product is SAIHUB CAB, which was developed in 2019, and was equipped in operation from 2019 to 2022. SAIHUB CAB is an indoor cabinet that turns traditional air-cooled bitcoin mining machines into liquid-cooled bitcoin mining machines, enabling both waste heat recovery capability and overclocking capability. The second generation of product, ULTIWIT System, was developed in 2024. ULTIWIT System is a series of outdoor infrastructure products, in the form of containerized datacenters. With features such as liquid-cooling capability, waste heat recovery capability and overclocking capability, ULTIWIT System can fit both bitcoin mining machines and GPU servers to meet the increasing demand of bitcoin mining and artificial intelligence (“AI”) usage.

Our products are equipped with meters and sensors to collect real-time electricity and temperature statistics, they are also equipped with calorimeter and manometer to collect real-time heat and pressure statistics of the waste heat recovery system. The statistics from our operations that our products can functionally replace many traditional heating boilers that burn coal or natural gas, and most electric heating boilers.

Typical boiler (thermal) efficiencies are approximately 90% according to EN 12952-15 and old boilers' efficiency are typically lower than 90%. The first generation SAIHUB CAB has an average thermal efficiency of around 89-90%, providing 60-70°C hot water steadily through the liquid cooling systems integrated with waste heat recovery capability. Thermal efficiency of the second generation ULTIWIT System can reach up to 97%, while providing up to 55°C hot water supply through its liquid cooling and waste heat recovery interface. New generation natural gas boilers are usually equipped with condensing technology, which improves its overall thermal efficiency to over 90%. Please see the table below for a comparison of efficiency levels across various sources of fuel.

Table 3.2. Typical Boiler Efficiencies Calculated According to EN 12952-15

Fuel	Efficiency, %
Natural gas	94–95
Oil	92–95
Coal	88–92
Wood chips	87–91
Bark	85–90
Peat	85–89

We have launched several pilot projects in China from 2019 to 2021, with the deployment of SAIHUB CAB, and have deployed ULTIWIT System in our mining revenue from 2022. In these pilot projects, SAIHUB CAB, together with installed bitcoin mining machines, were deployed as electric boilers to provide heat to the heating site, which included greenhouses, shopping mall, etc., while mining bitcoins simultaneously. Heating users have saved energy cost through paying less (free in our pilot programs) for 24*7 hot water generated from SAIHUB CAB, compared to their traditional cost on purchasing electricity, or purchasing coal and natural gas to produce hot water. In August 2023, our self-developed SAI US R&D Center, SAI NODE Marietta was successfully powered up, and ULTIWIT System was deployed on-site as part of our mining revenue and waste heat recovery application. Through our pilot projects and on-field operation using our products, we have proven an increased economic return for both users who demand heat, and mining operator through heat recovery.

Though we have not collected heating service fee in our current operations, we expect to be able to charge heating service fee through providing 24*7 steady hot water when commercial projects are commenced, and thus to effectively subsidize electricity cost on mining revenue. As we continue our global expansion, we believe our unique products, bitcoin mining solutions and innovative heating solutions, represent compelling differentiations of our business model.

ULTIWIT System – WITBOX

The WITBOX product line, including TANKBOX, RACKBOX and HYDROBOX, represents the core element of the ULTIWIT System. They are highly mobile and resilient outdoor computing infrastructure units fitted side a standard 20ft container, accommodating high performance computing servers such as bitcoin mining machines and GPU computing servers. They are equipped standard liquid cooling capability, i.e. connecting liquid-cooling designed servers, and immersion cooling capabilities.

TANKBOX

TANKBOX runs on immersion cooling tanks that are able to convert air-cooled servers into liquid-cooled models. It is equipped with an external cooling tower and made ready for high-efficiency recovery of computing waste heat. The maximum IT power of TANKBOX can reach 630 kW, subject to the actual configuration of different models of servers deployed inside the TANKBOX.



RACKBOX

RACKBOX is designed specifically for rack-mounted 2U standard servers. It fits up to 100 units of 2U standard servers and is compatible with all rack-mounted liquid-cooling server models, such as Whatsminer M53 bitcoin mining machine. Equipped with an external cooling tower and made ready for recovery of computing waste heat, RACKBOX's maximum IT power can reach 1,000 kW in high performance mode or 660 kW in normal mode.



HYDROBOX

HYDROBOX is an outdoor computing infrastructure container with the highest capacity in our current WITBOX fleet. It is compatible with Bitmain S19 Hydro XP bitcoin mining machine with a plug-and-play design to ease the effort of rapid deployment. Fitting 210 units of Bitmain S19 Hydro XP bitcoin mining machines, its maximum IT power reaches 1,110 kW while generating around 50 PH/s of bitcoin mining hash rate, subject to different models installed.



ULTIWIT System – HEATBOX

HEATBOX is a product line that regulates, supplies, and controls recovered computing heat generated from computing servers. Serving as a supporting role of the WITBOX series, HEATBOX is a key intermediate product line in ULTIWIT System that bridges the waste heat recovered from WITBOX and heating scenarios. Stand-alone WITBOX is fully operational for customers who only require computing power, but for customers who wish to re-utilize waste heat generated by computing servers, deploying a HEATBOX product is necessary.

The HEATBOX product line adopts a 20-foot standard container shape and is equipped with plate heat exchangers, water pumps, water purification equipment, electrical and control systems. The core components of HEATBOX are plate heat exchangers or heat pumps. Pumpbox, being our 1st generation product of the HEATBOX product line, is equipped with plate heat exchangers and can provide stable hot water at 55°C. Our second generation HEATBOX product with higher temperature supply is currently under development, and will significantly increase the water temperature for waste heat re-utilization, which can expand the product application to more industrial and agricultural heating scenarios and provide broader commercial value.

HEATBOX is designed for automated control and stable operation, ensuring continuous and efficient heat dissipation for the chip. It dynamically adjusts the control loop system in response to the ever-changing heat consumption demands of various heating scenarios, ensuring consistent performance and reliability. The HEATBOX product line is currently under research and development, and we expect to launch the product line in the third quarter of 2024.

ULTIWIT System – USERBOX

USERBOX is design and product that supports computing heat recovery applications. It offers integrated solutions and products tailored for heating scenarios across various demands and fields.

Traditional heating scenarios typically rely on conventional methods such as electricity or natural gas. However, by recovering and re-utilizing chip waste heat, which is essentially free, we can significantly simplify existing heating scenarios and equipment, thereby reducing infrastructure investment. SAI is fostering partnerships with traditional heating equipment companies to offer customers low-cost, integrated solutions. For example, this could include providing an integrated solution for greenhouse construction design, materials, and implementation. USERBOX aims to leverage the free computing waste heat to assist industries with high energy costs in becoming more profitable.

Transition and Expansion into Global Market

On May 21, 2021, China issued strict policies to ban crypto assets mining activities in mainland China. Due to compliance and strategic concerns, we terminated all of our hosting service agreements with existing customers in China, revoked our pilot programs testing our SAIHUB CAB equipment, and began strategic global transition starting from establishing hosting operations in Kazakhstan.

On July 18, 2021, we entered into a service agreement with Better Tech (the “Power Service Agreement”) for Phase I cooperation in Kazakhstan. The Power Service Agreement provides us with two mining facilities in Kazakhstan on for a term of three years, from July 20, 2021 to July 20, 2024, and a total electrical power capacity of 105 MW breaking down into two phases, including 15 MW in Phase I and 90 MW in Phase II. Under the Power Service Agreement, the supplier agrees to secure and provide us with the defined capacity of power and electricity supply, infrastructure layout and operating services, including, but not limited to, upgrading of the bitcoin mining equipment, technical support and regular monitoring of the signed-up facilities in Kazakhstan.

On July 16, 2021, we entered into a bitcoin mining hosting service agreement with Mint Asset Management Pte. Ltd (later on replaced by E2M Technology Limited as designated by the same customer to execute the same agreement) (“E2M”), a large-scale mining asset management group in Asia, for providing hosting services of their bitcoin mining equipment (the “Servers”) to generate computer power at the two facilities in Kazakhstan designated by us (the “Hosting Service Agreement”). Under the Hosting Service Agreement, E2M agrees to provide to us a number of servers under its management with a specified energy utilization capacity of 105MW (15 MW in Phase I and 90 MW in Phase II) in Kazakhstan, in accordance with specification and power availability dates set out in the availability schedule. We are obligated to host these servers in specialized containers and provide the electrical power, transmission and connection equipment necessary for the mining, hosting, operating and management of the servers there, in each case in accordance with the terms and conditions of the Hosting Service Agreement. The Hosting Service Agreement provides for the initial term of three (3) years from July 28, 2021 to July 28, 2024.

On July 21, 2021, our power service partner completed the infrastructure of the first data center facility in Uralsk, which consist mainly of mobile blockboxes located on undeveloped land to host mining machines, with transformers, wires, and switches connecting to electric infrastructure, with a capacity of up to 15MW. As of August 28, 2021, we handled shipping on behalf of our third-party hosting customers of 4,234 bitcoin mining machines to the site to commence operations (including 2,864 units of Whatsminer M20S, 1,115 units of Whatsminer M21S, and 255 of Bitmain T19) and the machines have all started operation since then.

In August 2021, we acquired Nanjing SuannengWuxian Technology Co. Ltd. (“Nanjing SuannengWuxian”), a private mining pool business and an entity under common control by one of our principal shareholders. This acquisition enabled us to meet increased demand by investors for crypto asset allocation, while also providing increased security and diversified services to our hosting customers as we expand our global operation. We are currently building this business, including the domain name sai.plus, into a leading bitcoin mining cloud management and comprehensive services platform. Concurrently with such acquisition, we succeeded Nanjing SuannengWuxian’s licensing agreement with a third-party vendor with respect to SaaS used in connection with such services, and we and Nanjing SuannengWuxian have transitioned hosting services to such customers to our operation.

On August 1, with the consideration of our power partners and hosting customers’ intention to suspend the service offerings under the originally agreed Service Agreement and Bitcoin Mining Hosting Service Agreement, we terminated our Service Agreement, dated as of July 18, 2021, with Better Tech Limited (“Better Tech”) relating to the Phase II 90 MW power supply cooperation in Kazakhstan, and our Bitcoin Mining Hosting Service Agreement, dated as of July 16, 2021, with E2M Technology Limited (“E2M”) relating to the rendering of Phase II 90 MW hosting services in Kazakhstan, which had already been delayed due to the national riots in Kazakhstan, which commenced on January 2022. We have reached a mutual understanding with Better Tech and E2M on the force majeure events that occurred during the first half of 2022 and agreed to a waiver of liabilities. All parties agreed to continue the execution of the Phase I 15 MW cryptocurrency mining operation, which started on August 2021, based on the terms of the Service Agreement and Bitcoin Mining Hosting Service Agreement. In 2023, the rapid increase of the global bitcoin mining hash rate has caused the Phase I 15 MW mining operation unprofitable to our hosting client. With consideration of this development, we have powered down the mining machines temporarily with consent of our hosting client.

Later in August 2022, we opened and started operations at our North American distribution center located in Chesterland, state of Ohio in the United States where we plan to utilize this facility for final product assembly and distribution, service headquarters, technical training operations, parts remanufacturing, collision repair etc. to support our expansion plan in North American markets. It also installed two SAIHUB-025M cabinets to provide hot water heating services for the entire facility. We also constructed vertical agricultural block box and fish farming pond pools which will be heated by the hot water generated from SAIHUB CAB cabinets, representing a live demo of our technology and equipment.

On February 2, 2023, we purchased 420 Whatsminer M30s++ bitcoin mining machines for \$633,360, or approximately \$14.50 per terahash for self-mining utility, through our indirect wholly owned subsidiary. The full deployment of the 420 Whatsminer M30s++ miners will increase our total operational hash rate capacity by 43.68 PH/s but will only consume approximately 1.35MW of power, benefited from the advanced power efficiency of 31W/T.

On February 21, 2023, we signed a hosting service contract with our previously contracted data center in La Pechuga, Mexico, to host additional 500 bitcoin mining machines. These 500 bitcoin mining machines include 420 Whatsminer M30s++ bitcoin mining machines that we have purchased on February 2, 2023 for self-mining utility, and 80 Whatsminer M30s+ bitcoin mining machines from our customer that we provide services to. The 500 bitcoin mining machines have been fully plugged-in and operating at their full capacity since March 11, 2023.

On March 28, 2023, we established Boltbit Limited, a Cayman Islands exempted company, as our wholly owned subsidiary and our initiative in the area of cryptocurrency exchange. By establishing Boltbit Limited, we intend to discover business opportunities related to decentralized transaction system services based on blockchain and lightning network technology.

On April 20, 2023, we launched our second generation product line, ULTIAAS, later named as ULTIWIT System. The product line initially contained three models, TANKBOX, RACKBOX and HYDROBOX, which were all equipped with liquid cooling and waste heat recovery capabilities.

On August 7, 2023, we completed the development of SAI US R&D Center, SAI NODE Marietta, and deployed one TANKBOX and one RACKBOX to serve as the infrastructure of our mining revenue. 144 Bitmain S19j Pro+ bitcoin mining machines and 90 Whatsminer M53 bitcoin mining machines were powered up with an increased hash rate of 38.52 PH/s.

On December 1, 2023, we deployed one additional HYDROBOX at SAI NODE Marietta to serve as the infrastructure of our mining revenue. 190 Bitmain S19j pro Hydro bitcoin mining machines were purchased, installed in the HYDROBOX, and powered up with an increased hash rate of 34.96 PH/s.

On February 1, 2024, we deployed two additional TANKBOX at SAI NODE Marietta to serve as the infrastructure of our mining revenue. 288 Bitmain S19K pro bitcoin mining machines were purchased, installed in the two TANKBOXes. The two TANKBOXes were powered up on February 1 and February 15, 2024, respectively, with a total increased hash rate of 32.91 PH/s.

In July 2024, we signed two MoUs, aimed at enhancing cooperation within the SMR industry.

In September 2024, we signed two MoUs that further solidify our position in the Middle Eastern nuclear and SMR markets. One MoU with Jiangsu Shentong Nuclear Equipment focuses on exporting control systems for nuclear power, and another with Shanghai Kaiquan Pump emphasizes joint production of nuclear and SMR equipment.

In October 2024, we signed two additional MoUs targeting further cooperation in the nuclear and SMR sectors. The MoU with Kinze Nuclear Innovation focuses on nuclear technology consulting and digitalization services, while the one with Jiangsu Jintonglingguang Nuclear Energy Technology aims to enhance the production of nuclear equipment.

In October 2024, we signed an MoU with Jiangsu Xuanrui Vibration Damping Equipment Co., focusing on product development and marketing in the large-scale nuclear power sector. This collaboration is set to enhance joint manufacturing and market expansion initiatives.

On November 14, 2024, we hosted 2024 BIT HEAT DAY, at the Company's U.S. R&D Center in Marietta, Ohio. The event was co-hosted with the Organization of Clean Energy and Climate (OCEC), a non-profit organization, with full support from local governmental office and community and focused on promoting next-generation edge data center infrastructure and the environmental, social, and governance (ESG) benefits of computing heat recycling through liquid-cooling technologies. SAIHEAT also showcased its new A-series product line, designed to address the growing demands of the AI industry.

On November 18-21 2024, we participated in the Supercomputing 2024 (SC24) Conference in Atlanta, where SAIHEAT showcased its Advanced Computing Center Ecosystem (ACCE), a proven suite of liquid-cooling system that enable carbon-negative data center operations by repurposing waste computing heat.

In December 2024, we sold 40MW of cutting-edge liquid-cooling container products to one of the subsidiaries of Bitdeer Technologies Group (NASDAQ: BTDR) ("Bitdeer"), a company listed on the Nasdaq. The liquid-cooling containers are designed to host Bitdeer's high-performance SEALMINER mining rigs and will be deployed at its new data center. We have delivered these containers to Bitdeer at the beginning of April 2025 and expected to complete the deployment within three months. The smooth implementation of the contracts will further enhance the Company's infrastructure layout capabilities in overseas markets. Meanwhile, it will significantly increase our revenue scale in 2025.

Considering our review of global bitcoin mining industry and changing regulatory framework in different countries, we are currently focusing on expansion opportunities primarily in North American and Central Asia countries.

Industry and Market

Our business model centers on cryptocurrency mining operations and, specifically, bitcoin mining. Our products and solutions also apply to the global heating industry, and we expect to generate waste heat resales or technology-related types of revenue when our products are put into operation in the global market subject to the commercial terms with our heat user collocation partners.

Blockchain, Cryptocurrencies and Crypto assets

A blockchain is a decentralized, distributed ledger. Unlike a centralized database whereby an entire database, or full copies of that database, remains in the control of one person or entity stored on a computer that is controlled or owned by that same person or entity, a blockchain ledger typically has partial copies of itself across various computers or participants (“nodes”) in the network. Each new block requires a method of consensus between nodes of the network in order for the block to post to the ledger and become permanent. There are various methods being developed for executing a consensus.

Currently, the most popular application of blockchain is cryptocurrency. Cryptocurrencies are currencies that are not backed by a central bank or a national, supra-national or quasi-national organization and are not typically backed by hard assets or other credit. Cryptocurrencies are typically used as a medium of exchange — similar to fiat currencies like the U.S. Dollar — that is transacted through and recorded on a blockchain.

In addition to cryptocurrencies, there are other assets, such as contracts or other information that reside on a blockchain that represent a form of ownership. Examples may include insurance contracts, deeds, wills, health data or securities. Together with cryptocurrencies, these other assets, which also include virtual currencies, digital coins and tokens, and other blockchain assets, make up a class of assets called “Crypto assets.” Crypto assets offer fast, low-cost peer-to-peer payment options without the need to provide personal details. Every transaction is recorded in the blockchain, which effectively contains a record of all account balances. Each account on the blockchain is identified solely by its unique public key, which renders it anonymous, and is secured with its associated passcode. The value of crypto assets is determined by the value that various market participants place on them through their transactions, for example, via peer-to-peer transactions, e-commerce or exchanges.

Cryptocurrency — Advantages

Crypto assets have been viewed by the community to offer several advantages over traditional (also known as ‘fiat’) currency, including:

- Acting as a fraud deterrent, as crypto assets recorded on a blockchain are virtually impossible to counterfeit, reverse, or modify;
- Immediate settlement;
- Elimination of counterparty risk;
- No requirement for a trusted intermediary;
- Lower transaction costs;
- Identity theft prevention;
- Universal accessibility;
- Transaction verification and confirmation processes that prevent double spending;
- Decentralized transaction processing at any time of day without any central authority (governments or financial institutions); and
- Universal value free from currency exchange rates.

Cryptocurrency Market

The market for crypto assets has grown exponentially. In 2017, there were an estimated 2.7 million users of crypto assets, whereas based on estimates provided by blockchain service provider TripleA, estimated global crypto users will reach 420 million in the year of 2023. Bitcoin’s daily exchange volume has grown from \$92 million in January 2017 to more than \$90 billion in February 2024. The initial exchange rate recorded on October 5, 2009 was one bitcoin equaled \$0.000764. Bitcoin remains the leading crypto asset in terms of market capitalization, which, based on data sourced from ycharts.com, exceeded \$2 trillion as of December 2024. By December 2024, the price of one bitcoin increased to over \$90,000 according to coinmarketcap.com, highlighting the extremely volatile nature of bitcoin. Currently, mining and purchasing from the secondary market are the major ways of acquiring crypto.

Bitcoin

Bitcoin is a digital commodity, a type of cryptocurrency, created in January 2009 by a mysterious and pseudonymous person named Satoshi Nakamoto. Bitcoin offers lower transaction fees than traditional online payment mechanisms and, unlike government-issued currencies, it is operated by a decentralized authority, with only balances kept on a public ledger to which everyone has transparent access.

Bitcoin Mining

The process of maintaining and developing the blockchain ledger with crypto tokens as reward is called mining, which is an important scenario of encryption computing. The mining rewards are paid to the miners who discover a solution to a complex hashing puzzle first. Solving the hashing puzzle requires continuous computing until the key is found, therefore mining is a competition of computing power.

According to data sourced from glassnode.com, the Bitcoin Network hash rate has increased from 1.03 EH/s at the beginning of 2016 to 888.36 EH/s by the beginning of 2025, with a CAGR of 111.93%. Subsequently, the Bitcoin Network hash rate peaked over 1000 EH/s in February of 2025.

Bitcoin Hashrate

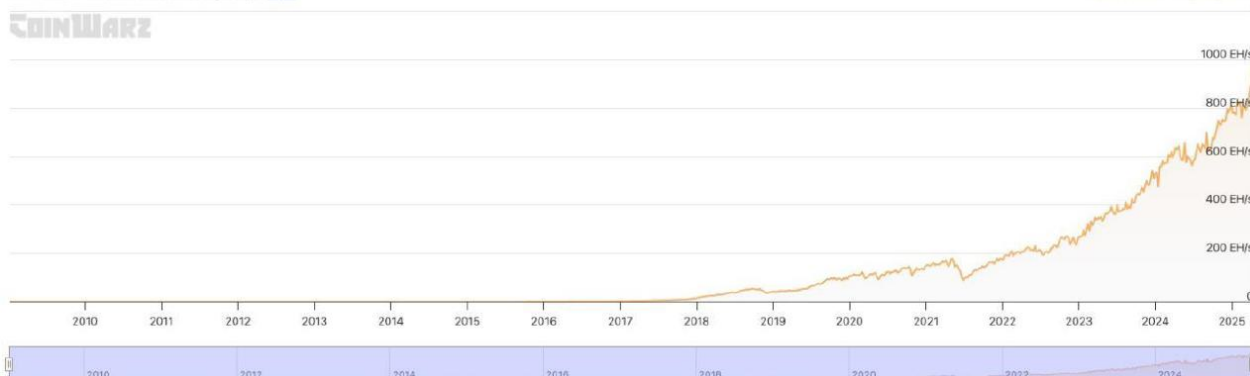
at Block 892,355 在Block 892,355

888.36 EH/s

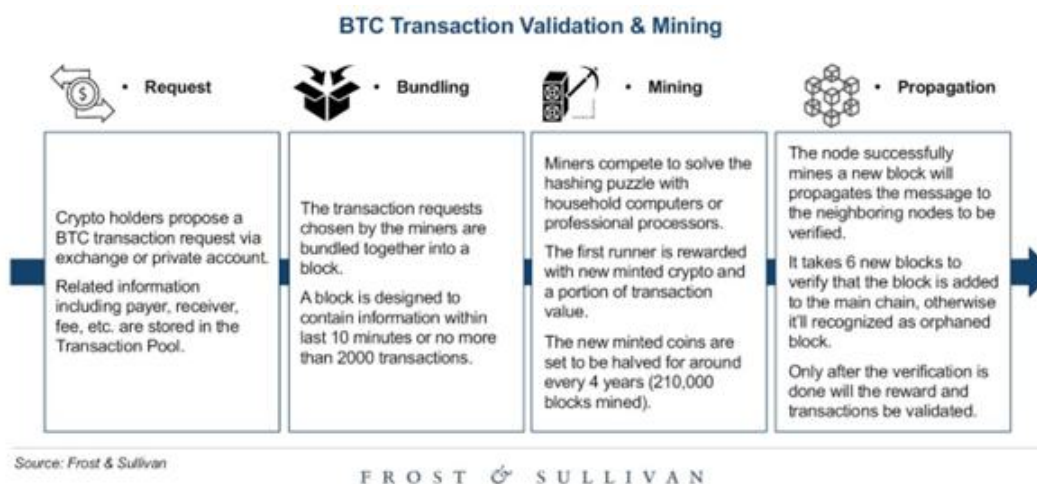
Bitcoin Hashrate Chart

Zoom 1d 1w 1m 3m 6m 1y 3y All

Jan 5, 2009 → Apr 14, 2025



For bitcoin, miners' computers or machines, called nodes, constantly collect and bundle individual transactions from the past ten minutes (the fixed "block time" of bitcoin) into blocks, and compete to solve the hashing puzzle to be the first to validate the new block for the blockchain, which is called Proof of Work ("PoW"). For bitcoin networks, mining is the process of providing a stable settlement mechanism to validate transaction. A number of proposed transactions are bundled in a block and be mined and propagated for verification. The reward mechanism attracts miners to participate and improve the robustness and security by raising the difficulties for 51% attack.



Bitcoin Distribution

Bitcoin is finite in its supply of a total number of 21 million, with 19.80 million currently in circulation. Thus, it is a scarce asset that can potentially serve to hedge various forms of inflation. Compared with high storage and transport costs of gold, bitcoin requires no transport costs and has a transparent and diminishing supply schedule.

By the end of 2025, bitcoin is expected to surpass gold's stock-to-flow ratio, forming a significant monetary store of value.

Transaction Fees

When a user decides to send bitcoin to a recipient, the transaction is first broadcasted to a memory pool before being included in a block. Because each block can only contain up to 1 megabyte of transaction information, it is in this memory pool that miners pick and choose which transactions to bundle into the next block and verify. During periods of heavy network usage, there can oftentimes be more transactions awaiting confirmation than there is space in a block. Consequently, not all attempted transactions will be verified immediately, and some transactions can take up to a day or longer to verify.

In such situations where there are more transactions in the memory pool than there is space on the next block, users compete for miners' computation power by adding fees ("tips") onto their transactions in the hope that miners would prioritize their transactions. Due to the 1-megabyte limitation, miners tend to favor smaller transactions that are easier to validate. Larger "tips" are required to incentivize miners to mine larger transactions. When the network congestion eases, the miners then turn their focus upon the remaining transactions.

Mining Pools

A mining pool is the pooling of resources by miners, who share their processing power over a network and split rewards according to the amount of work they contributed to the probability of finding a block. Mining pools emerged in response to the growing difficulty and available hashing power that competes to discover blocks on the bitcoin blockchain.

The mining pool operator provides a service that coordinates the workers. Fees are paid to the mining pool operator to cover the costs of maintaining the pool. The pool uses software that coordinates the pool members' hashing power, identifies new block rewards, records how much work all the participants are doing, and assigns block rewards in-proportion to the participants' efforts.

To maximize the opportunities to receive a reward, most large-scale miners have joined with other miners in "mining pools" where the computing power of each pool participant is coordinated to complete the block on the blockchain, and mining rewards are distributed to participants in accordance with the rules of the mining pool. Fees payable to the operator of the pool vary but are typically as much as 2% of the reward earned and are deducted from the amounts earned by each pool participant. Mining pools are subject to various risks including connection issues, outages and other disruptions which can impact the quantity of crypto assets earned by participants.

Global Heating Industry Overview

Heating is the largest energy end-use, accounting for around 50% of global final energy consumption and 40% of global CO2 emissions. Industrial processes (50%) and buildings (47%, for space, water heating and cooking) are the largest heat consumers in 2019, followed by agriculture mainly for greenhouse heating.

Many countries have taken countermeasures to improve energy utility and reduce carbon emission of heating. Governments attempt to reduce the portion of high-carbon-emission energy used for heating. For example, China encourages to use clean coal to replace traditional coal for heat generation. Besides, Europe has introduced policies to encourage research on improving the efficiency of coal power generation, expanding utility of geothermal power, growing heat supply from cogeneration, etc.

Both primary and secondary energy could be applied for heat generation, while currently, fossil fuel dominates the global heat supply. Heat could be generated from energy via specific suppliers, cogeneration, waste heat recovery and distributed heaters. Despite the direct use of renewables, cogeneration and waste heat recovery are considered cleaner ways to produce heat.

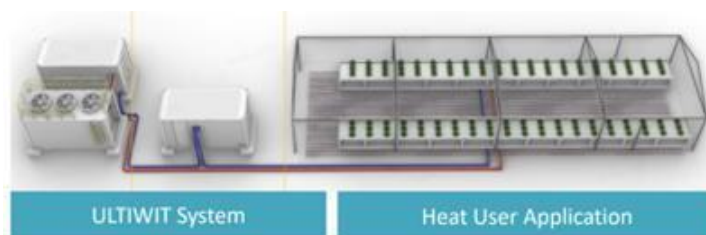
Our Competitive Strengths

Unique liquid cooling and waste heat recovery technology that can turn bitcoin mining machines into energy-efficient boilers for large-scale heating

As an innovator in the bitcoin mining industry, we have the opportunity to harness the power of technology in order to create a more sustainable future for bitcoin mining to address the industry's energy and environmental challenges. Liquid cooling technology improves the energy efficiency and bitcoin mining operation efficiency. We further developed waste heat recovery capabilities to enable the electricity consumed in process of computing to be reutilized at up to 97% thermal efficiency for heating purposes, in most low to medium temperature heating applications like hot water heating systems or district heating systems. By collocating our products along with large-scale heat users, we can reduce these their heating cost, while transferring their fossil fuel boilers to electric boilers. We intent to switch to renewable power source gradually with our datacenter operation to enable the electrification of these heat user's fossil fuel boilers, which also promotes the decarbonization of traditional heating industry, creating a huge environmental benefit to the global carbon neutrality goal and social benefits.

The exponential growth of computing power demand, such as bitcoin mining, GPU computing, and others, brings many challenges to computing center operators, including potential rise of electricity price, increase of carbon footprint when power is sourced from unsustainable power, and demand for increasing power generation and grid infrastructure investment. Our unique liquid cooling and waste heat recovery solution, ULTIWIT System, brings a solution that integrates computing waste heat capture, supply and recovery system. By essentially consuming one unit of energy and serving two unit of demand, ULTIWIT System is able to replace traditional heating sources, lower operating cost and carbon footprint of computing center operators, and support heating growth by low to zero cost recycled heat. While being configurable with various computing needs, such as bitcoin mining, GPU computing and others, ULTIWIT System can support wide range of heating demand including the followings:

- building heat supply: residential, commercial, industrial buildings, for example greenhouses;
- water heating: swimming pools, waterparks, fisheries, and other hot water demands;
- industrial heating processes: drying, cooking, brewery, and other industrial heating processes;
- heat enabled new processes: seawater desalination, wastewater reclamation, oil and gas industry water recycling.



We have also participated in global carbon neutrality focused organizations, including:

- We are the first crypto mining and supercomputing company worldwide to join the UNFCCC Climate Neutral Now (CNNow) initiative. After joining on April 27, 2021, we submitted our first carbon footprint report on July 9, 2021;
- We joined the UNFCCC Race to Zero (SME Climate Club) on July 13, 2021, alongside the Energy Industries Council (UK) and other participants;
- We joined the Task Force on Climate-Related Financial Disclosures (TCFD) on July 22, 2021. Other members of TCFD include the Hong Kong Monetary Authority, the Monetary Authority of Singapore (MAS), BP, and Equinor; and
- We joined the Climate Pledge on August 10, 2021, becoming an official signatory the following month.

As a result of our participation with these carbon neutrality-focused organizations, we do not carry any legal significance, nor does our participation constitute a binding commitment. We believe that the four NPOs in which we have participated (UNFCCC Climate Neutral Now (CNNow), UNFCCC Race to Zero (SME Climate Club), Task Force on Climate-Related Financial Disclosures (TCFD) and the Climate Pledge) provide us with the guidance and insights to make a climate commitment and provides us access to tools and resources helpful to take concrete steps towards climate action across multiple pathways. These tools and resources provide support for measuring and reporting our emissions, developing climate strategy, reducing our own emissions and the emissions in our value chain and contributing to climate action by us.

Rich field experience and unique liquid cooling know-how gives us first-mover advantages

Our founding team is comprised of highly experienced mining operators, heating ventilation air conditioning (“HVAC”) engineers, and power infrastructure constructors. This team provides us with strong research and development (“R&D”) capabilities, as well as a deep understanding of the supply chain and cost structure of mining operations and sourcing networks. One founding partner has been managing mining machines since 2015 and has overseen the mining of over 30,000 bitcoins for customers. The other founding partner came from a mining operation management software company and managed over 5 EH/s hash rate mining machines operation. Our accumulated industry know-how can provide our customers with flexible and cost-effective operating solutions, such as plug-and-play designs and folding blockbox that can adapt to any geography and climate conditions. We have accumulated rich on-the-field expertise to design, test, debug and assemble mature, stable and highly efficient bitcoin mining data centers. We have also successfully integrated traditional bitcoin mining machines with waste heat recovery technology to provide large-scale heating supply to various heating application scenarios including residential and commercial buildings as well as agricultural greenhouses.

- New entrants generally have to go through three phases to independently develop an innovative heating system for purpose of commercialization, including:
- development of a prototype mining machine with an adaptive cooling solution applied;
- small-scale trial run of the machine for both mining and heating performance; and
- large-scale heating supply test to see if the machine can operate steadily, meet the requirements for both healthy bitcoin mining operation and different heating scenarios.

Large-scale stable heating systems are complex engineering projects that integrate many piping components, and waste heat recovery technology with liquid cooling system in data centers is in early development stage especially in crypto assets mining industry. Chips can only operate healthily in a relatively cool environment through appropriate cooling system design. It requires strong engineering design capability, strong supply chain support and repeatedly tests to guarantee the optimized efficiency of both mining and heating operation. Therefore, we believe it is challenging for a new entrant to replicate our technology and operating model in the industry.

Professional team and strong industry resources

Our business covers many professional fields, including bitcoin mining, heating supply, liquid cooling, electricity supply, materials, and equipment operating and maintenance, among others. Besides our experienced founding team from the crypto asset mining industry, our team includes professionals from various fields, including investment and financing, ESG, marketing, and energy.

We have accumulated industrial resources and is constantly expanding our business landscape. Bitmain, the largest mining machine manufacturer globally, and other famous venture capital firms, have invested in us. Our business strategy and leading technology were well-recognized by the private capital market at a very early stage. Endorsed by strong shareholders’ backgrounds, we established long-term and close business relations with many industrial leading companies, including upstream energy suppliers, hardware manufacturers, and software providers. We have also accumulated a large base of potential institutional investors and high net worth individuals as our targeted customers.

Our Growth Strategies

Continue Increasing Our Self-Mining Hash Rate

Our strategy to enhance our self-mining hash rate is multi-faceted and focuses on both technological innovation and operational expansion. This initiative is critical for maintaining and strengthening our competitive edge in the bitcoin mining sector. We are continuously monitoring the market for the latest advancements in bitcoin mining technology. By acquiring and deploying state-of-the-art mining machines, we can significantly increase our hash rate, which is essential for improving our bitcoin mining efficiency and output. This includes both expanding our existing operations and identifying new strategic locations for deployment.

Promote the Sale of Our ULTIWIT System Solutions, develop More Retail and Institutional Clients

With a strategic focus on institutional clients, including large-scale bitcoin miners and investors diversifying their portfolios with crypto assets, we plan to intensify our marketing and sales efforts towards these segments. The ULTIWIT System, with its advanced liquid cooling, waste heat recovery capabilities, and overclocking potential, represents a key product offering. By showcasing its cost-saving and environmental benefits, we aim to secure long-term partnerships and contracts with institutional clients, further bolstering our market position and revenue streams.

Develop Waste Heat Utilization Scenarios, Increasing Revenue Streams

Our innovative approach to utilizing waste heat from bitcoin mining operations for heating purposes has demonstrated significant energy and cost savings. We plan to further explore and develop new applications and scenarios for waste heat utilization, such as in agricultural, residential, commercial, and industrial heating. Expanding these applications will not only diversify our revenue streams but also strengthen our contributions towards energy efficiency and environmental sustainability.

Global Expansion

Recognizing the global nature of the cryptocurrency mining and clean energy sectors, we are actively pursuing opportunities for international expansion. This includes exploring new markets for our mining revenue, ULTIWIT System deployments, and waste heat recovery solutions. By establishing a presence in strategic locations with favorable regulatory environments and energy resources, we aim to tap into new customer bases, leverage local partnerships, and contribute to the global transition towards clean energy and sustainable mining practices.

Broadening Engineering and Technical Services

In alignment with our mission to foster a sustainable and efficient future for the crypto asset mining, power, and heating industries, we intend to broaden a comprehensive suite of engineering services to our growth. This includes mining site design, buildup, and operation services, alongside computing heat supply system design, buildup, and operation services. Recognizing the critical importance of efficiency and sustainability in our operations, we also intend to introduce liquid cooling and computing heat supply third-party certification, consulting, and technical services to our offers. This strategic extension is designed to leverage our proprietary technologies and expertise in liquid cooling and waste heat recovery, enabling us to offer specialized, value-added services to our clients. By providing these engineering and technical services, we aim not only to enhance our operational capabilities but also to establish ourselves as a full-spectrum solutions provider in the ecosystem. This approach will further solidify our competitive advantage, diversify our revenue streams, and contribute to our goal of promoting clean energy transition globally.

Our Technology

Our technology systems are a critical component of our success and are designed to enhance operational performance and energy efficiency. Our research and development team, coupled with our proprietary technology and field application experience, have created opportunities for continuous improvements in our technology capabilities, empowering reliability, scalability and flexibility of our comprehensive bitcoin mining energy-saving solutions.

Liquid Cooling Technology

Liquid cooling is especially advantageous to large-scale data centers and supercomputing centers, including bitcoin mining data centers, where large amounts of heat are generated simultaneously and continuously alongside the computing process.

Since liquid's thermal conductivity is significantly higher than air as proven widely by scientists, it is a more efficient thermal management approach compared to traditional air-cooling system installed in most data centers. Overheating of PCB (Printed Circuit Boards) is a major reason for equipment malfunction. With no spinning fan nor reserved passageway typically required for air circulation, liquid cooling systems also reduces operational electricity consumption and leave more space for computing equipment deployment. Furthermore, liquid cooling generates no extra noise and avoids dust and moisture accumulation.

As a specialized high-performance computer, bitcoin mining machines mostly utilize ASIC processors, which are chips manufactured specifically for mining bitcoin by solving blocks on blockchains using the 256-bit secure hashing algorithm. Unlike most computing centers with Central Processing Unit ("CPU"), bitcoin mining machines are designed to operate uninterruptedly to solve the SHA256 cryptographic hash algorithm to validate transactions on bitcoin networks. This is the only mission of the bitcoin mining ASIC chips. Thus, a mining machine is installed with many ASIC processors on its PCB making the specific computing precise and efficient, with fast speeds at low energy usage. For example, on a Whatsminer M21S mining machine, it installs three (3) units PCB and each PCB is inserted with sixty (66) bitcoin-mining ASIC chips. This is the core cost of the mining hardware. This chip density means mining machines generate waste heat more extensively, thus making the heat waste easier for collection and recovery. Chips have to operate healthily and steadily to guarantee computing efficiency in a relatively low temperate and clean environment, and major bitcoin mining machine manufacturers develop and design different cooling systems to provide such environment. Though most mining machines manufacturers are still adapting traditional air-cooling systems, some have been developing liquid cooling systems.

We integrate advanced liquid cooling technologies into our WITBOX series, employing both heat-plate and immersive cooling methods to meet diverse operational needs. Heat-plate liquid cooling directly targets the heat generation sources with a coolant-circulated plate, enhancing the efficiency and reliability of ASIC processors within bitcoin mining machines. On the other hand, immersive cooling submerges mining components in a non-conductive liquid, distributing cooling evenly, reducing overheating risks, and extending hardware lifespan— all while operating quietly.

Our innovative cooling solutions significantly lower energy consumption and operational costs, bolster hash rates, and align with our sustainability goals. The WITBOX series is a crucial part of our ULTIWIT System solutions, which not only optimize cooling but also repurpose waste heat for various heating applications, turning a mining byproduct into a valuable resource. This approach embodies our commitment to the clean energy transition and positions us as a leader in integrating clean-tech across the bitcoin mining, power, and heating sectors. As we move forward, we aim to further refine our technologies to enhance the sustainability and efficiency of crypto asset mining.

Waste Heat Recovery Technology

Our waste heat recovery technology is based on the liquid cooling system designed for high-performance computing equipment, including bitcoin mining machines.

To reach the maximum cooling and waste heat recovery efficiency of the mining machines' PCB, which are essentially heating units, we are able reorganize the layout of bitcoin mining machine's PCB in independently designed SAIHUB CAB and enables the system to collect waste heat. For example, SAIHUB CAB integrates 72 units common type mining machines such as Whatsminer M21S at a size of 2.5 cm x 1.5 cm x 1.9 cm. The input power of the SAIHUB CAB is 237 KW, and it can supply the equivalent heat of 213 KW with 90% thermal efficiency, competing with most existing fossil fuel boilers thermal efficiency with a lower maintenance cost and no additional capital expenditure of replacement.

The ULTIWIT System incorporates our further upgraded waste heat recovery technology, designed to ensure continuous and stable heat dissipation from the chip. It features a control loop system that dynamically adjust to the varying heat consumption needs in different scenarios, enabling automated control and stable operation. Additionally, by integrating efficient water-source heat pumps, the system can elevate the temperature of recovered waste heat water from 60°C to 80°C, and even beyond 100 C. This enhancement aims to harness the economic value chip waste heat in various demand scenarios, optimizing its utility and efficiency.

Heating is the largest energy end-use, accounting for around 50% of global final energy consumption and 40% of global CO2 emissions. Industrial processes and buildings are the largest heat consumers in 2019, followed by agriculture mainly for greenhouse heating. Cogeneration and boilers are major methods for providing heat but they produce considerable carbon emissions because they rely on fossil fuels. Our products provide the heating industry with an innovative and low-cost "electric boiler". This technology takes advantage of the highly mobile nature of bitcoin mining activity and assets, and the ability to deploy operations in commercial and residential buildings and greenhouses.

AI Liquid- Cool Infrastructure

To seize the dual opportunities of the explosive growth of AI computing power and the transformation of green data centers, we intend to focus on strengthening the business layout of AI liquid- cooling infrastructure in 2025. We will launch core products such as "liquid - cooled container data centers" and "integrated liquid- cooled cabinets", and build a full - stack liquid- cooling solution. Building on the 20-foot cold-plate liquid- cooled container data center product with a power capacity of 1 MW and the 100 - KW integrated liquid - cooled cabinet launched by our Company in 2024, the innovations in "high - density heat dissipation design" and "waste heat utilization" enable the achievement of an annual average PUE (Power Usage Effectiveness) ≤ 1.15 . This significantly reduces energy consumption costs and meets the training requirements of trillion-parameter large models. Relying on the growing global demand for AI data centers, our Company will accelerate technological iterations, deepen cooperation with leading Internet companies and operators, expand the global market simultaneously, and enhance our overall competitiveness. In addition, in line with the heat dissipation requirements of next-generation high- power AI chips such as NVIDIA GB200, our liquid- cooled products have passed batch verification of key components such as CDU (Cooling Distribution Unit) and pipelines, laying the foundation for a significant increase in performance in 2025. Through the above-mentioned layout, our Company's liquid- cooling business is expected to become an important growth pole in the field of AI infrastructure, simultaneously promoting a dual breakthrough in green computing power and global market penetration.

Small Modular Reactor

An SMR research and development company dedicated to developing the Gen. III+ small modular pressurized water reactor with inherent safety features, paving a way for Gen. IV reactor key technologies. In the short term, HEATNUC, an advanced SMR system dedicated to power AI computing centers, is focused on promoting the Gen. III+ SMR combined with high maturity and inherent safety performance to achieve carbon neutrality by transforming traditional fossil energy into SMR-based nuclear energy. Designed as a stable, high-capacity energy source, it addresses the unique power needs of AI-driven infrastructure, providing a solution that traditional renewable and fossil-fuel-based energy sources cannot match.

Intellectual Property

Our ability to protect our material intellectual property is important to our business. We rely upon a combination of protections afforded to owners of patents, copyrights, trade secrets and trademarks, along with employee and third-party non-disclosure agreements and other contractual restrictions to establish and protect our intellectual property rights. In particular, unpatented trade secrets in the fields of research, development and engineering are an important aspect of our business by ensuring that our technology remains confidential. We also pursue patent protection when we believe we have developed a patentable invention and the benefits of obtaining a patent outweigh the risks of making the invention public through patent filings.

As of December 31, 2024, we owned eight patents in connection with our existing and planned blockchain and cryptocurrency related operations. We expect to rely upon trade secrets, trademarks, service marks, trade names, copyrights and other intellectual property rights and expect to license the use of intellectual property rights owned and controlled by others. In addition, we may in the future develop certain proprietary software applications for purposes of our cryptocurrency mining operation.

Research and Development

Our research and development efforts are focused primarily on developing technologies and solutions to reduce the major cost factors of crypto asset mining datacenter operations and other types of high-performance computing datacenter operations, including but not limited to electricity, cooling, chip supply and services. Specifically, we focus on improving our products' waste heat recovery efficiency through new engineering design and material innovation; extending our products' adaptability to more latest generation high-performance computing chips, printed circuit boards, bitcoin mining machines and different heating applications; and immersion cooling system for mining equipment and power boxes. We are dedicated to maximizing the value of waste heat generated from high-performance computing process including but not limited to bitcoin and other crypto assets mining, Artificial Intelligence and Machine Learning computing etc. which represents a significant amount of and fast-growing type of waste energy. As of the date of this Annual Report, we identified no dependency on patents that is material to our business.

Sales and Marketing

Our primary marketing and communication efforts are focused on social media channels to keep our customers, investors and other stakeholders informed and up-to-date regarding our business developments. We have been upgrading our official website to adapt to our global transition. Sales and marketing have not been a significant component of our business and have been immaterial to our financial condition and results of operations; however, as we expand into global markets, such activities may become more significant in the future.

Facilities

We are a remote-only company. Accordingly, we have not designated any specific office as our headquarters. We currently maintain physical offices in Singapore and mainland China as our regional operation centers designated for business development in Middle Asia, Middle and North America and the integration of supply chain and research and development capabilities. We have also developed a datacenter, SAI NODE Marietta, in the United States. We engage local staff through our local partners and send our own onsite maintenance supervisors to ensure the status of our operations. For purposes of complying with applicable requirements of the Securities Act and the Exchange Act, as amended, any shareholder communication required to be sent to its principal executive office may be directed to the aforementioned agent for service of process.

We believe our combined facilities are adequate for our development and production needs in the near future. Should we need to add space or transition into new facilities, we believe that we have the ability to expand our footprint on commercially reasonable terms. Currently, we do not own the sites or material equipment on which our services are performed.

Legal Proceedings

As the date of this Annual Report, we are currently not a party to any material pending legal proceedings. From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business.

Environmental Matters

We are subject to domestic environmental laws and regulations governing our operations, including, but not limited to, emissions into the air and water and the use, handling, disposal, and remediation of hazardous substances. A certain risk of environmental liability is inherent in our business activities. These laws and regulations govern, among other things, the generation, use, storage, registration, handling, and disposal of chemicals and waste materials, the presence of specified substances in electrical products, the emission and discharge of hazardous materials into the ground, air, or water, the cleanup of contaminated sites, including any contamination that results from spills due to our failure to properly dispose of chemicals and other waste materials, and the health and safety of our employees. We are required to obtain environmental permits from governmental authorities for certain operations.

Government Regulations

We operate and plan to operate in a complex and rapid evolving regulatory environment and expects to be subject to a wide range of laws and regulations enacted by Kazakhstan as well as similar entities in other countries. Other regulatory bodies, governmental or semi-governmental, have shown an interest in regulating or investigating companies engaged in the blockchain or cryptocurrency business.

Kazakhstan started to develop the cryptocurrency industry and promote both blockchain operations and cryptocurrency markets in 2017. On June 25, 2020, the president signed a law that introduced amendments to the regulation of digital technologies and legitimized mining. Such key definitions as “crypto asset”, or cryptocurrency, and “digital mining” were also introduced into the law “On Informatization.”

Regulations may substantially change in the future, and we cannot predict how future regulations will apply to our business, or when they will be effective. As the regulatory and legal environment evolves, we may become subject to new laws and further regulation by Kazakhstan government and other agencies, which may affect mining and other activities. For additional discussion regarding our belief about the potential risks existing and future regulation pose to our business, see “*Risk Factors — Risks Related to Government Regulation Regulatory Framework*”.

Recent Developments

On-site Project Development Update in the U.S.

We expanded our SAI NODE Marietta facility, initiated a scale-up that began in Jan 2024. This expansion included the strategic addition of 478 Bitmain bitcoin mining machines, increasing our hash rate capacity by approximately 68 PH/s. With this deployment, we now have around 150 PH/s operational hash rate for our mining revenue achieving a self-mining efficiency of approximately 27.3 J/TH.

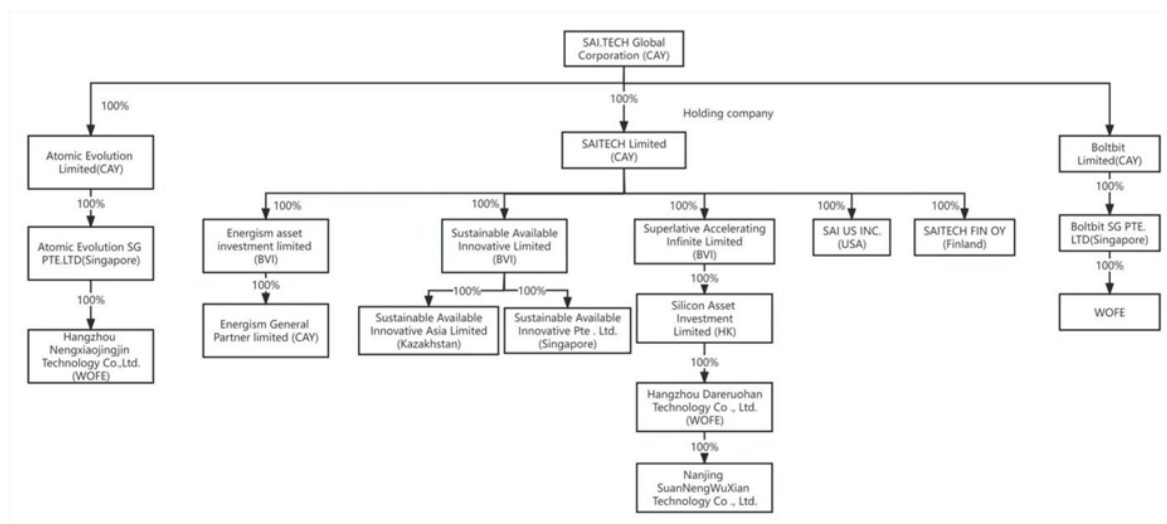
We have participated in the ICP (AEP’s Critical Peak) program, a strategic initiative designed to reduce electricity costs for energy-intensive industries. This initiative aligns with SAIHEAT’s mission to enhance operational efficiency and sustainability in the digital asset sector.

We signed an MoU with Idaho Competitive Aquatics, LLC in August 2024 to develop a model case of our ACCE, which is to utilize recycled computing heat as a replacement of nature gas heaters at the aquatic center. Upon the completion of the project, the new ACCE system is expected to eliminate CO2 emission from original nature gas heating by up to 96,000 pounds per month and lowering facility heating costs by over 40% immediately.

We announced our latest All-in-One ACCE products, RACKCAB and HYDROCAB, which integrate server hosting system, CDU system and computing heat capture/recycling system into one standard cabinet. Our All-in-One ACCE product is developed as a low-cost and easy-to-install system for computing heat recycling. Both products are currently deployed and under installation at our customer.

We started accepting payments in Bitcoin for its range of products and services, including (1) the Company’s HEATWIT liquid cooling ACCE for Bitcoin mining operations and AI computing, and (2) the Company’s HEATNUC SMR products and services.

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.



Below is a description of our major operating entities:

- Sustainable Available Innovative PTE. LTD (Singapore) — General headquarter, responsible for business coordination.
- Hangzhou Dareruohan Technology Co., Ltd. (WOFE) — Global R&D and supply chain center.
- SAI US INC. (USA) — Develops and manages projects and business in North American market.

D. Property, Plant and Equipment

We are a remote-only company. Accordingly, we have not designated any specific office as our headquarters. Our main business activities are conducted in the United States. Our offices, research and development and manufacturing facilities are located in Singapore and mainland China, where we occupy approximately 508 square meters. The lease for our research and development and manufacturing facilities expired in October 2024, and was renewed for another year. We have also leased the plot of land on which we have developed SAI NODE Marietta, the lease for this land began in April 2023, and will expire in March 2033. Our monthly total rent payments globally are approximately \$27,000.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The following discussion of our financial condition and results of operations in conjunction with the section entitled “Business” and our consolidated financial statements and the related notes included elsewhere in this Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this registration statement. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

Overview

We are a sustainable distributed Bitcoin mining operator and a clean-tech company that integrates the bitcoin mining, power and heating industries. We engage in cryptocurrency mining operations, primarily Bitcoin, for our own account, and provide a full suite of specialized services to crypto asset mining customers, including purchase of mining machines, hosting service, and mining pool service.

We distinguish ourselves in the crypto asset mining sector with our innovative liquid cooling and waste heat recovery technology, marking a pivotal shift towards energy efficiency and environmental sustainability in bitcoin mining operations. This technology not only supports the transition to clean energy but also aligns with our mission to foster a sustainable future for the bitcoin mining, power, and heating industries. Our efforts are complemented by a professional team with rich field experience and first-mover advantages in liquid cooling know-how, which enables us to offer flexible, cost-effective solutions to our customers. Furthermore, our commitment to carbon neutrality and climate action is underscored by our participation in global initiatives, enhancing our position in promoting sustainable practices within the industry.

Our target customers include both large-scale miners and institutional investors. Target institutional investors include entities that are diversifying their portfolios by adopting crypto asset-mining assets, which can be a more economic approach to acquire crypto assets as compared to buying such assets on secondary markets. Starting from 2022, we began to develop our mining revenue. Strategically, we focus on deploying our self-developed infrastructure products in our mining operation globally, which are series of containerized datacenters that apply our proprietary liquid cooling and waste heat recovery technologies, reuse excessive heat generated by bitcoin mining machines and provide steady hot water for agricultural, commercial, residential and industrial large-scale heating applications scenarios. Our products and solutions can reduce aggregate carbon emissions compared to traditional stand-alone heating and bitcoin mining, while also reducing the mining operation costs by potentially selling the recovered heat.

In August 2023, our self-developed SAI US R&D Center, SAI NODE Marietta was successfully powered up, and ULTIWIT System was deployed on-site as part of our mining revenue and waste heat recovery application. Through our pilot projects and on-field operation using our products, we have proven an increased economic return for both users who demand heat, and mining operator through heat recovery.

Though we have not collected heating service fee in our current operations, we expect to be able to charge heating service fee through providing 24*7 steady hot water when commercial projects are commenced, and thus to effectively subsidize electricity cost on mining revenue. As we continue our global expansion, we believe our unique products, bitcoin mining solutions and innovative heating solutions, represent compelling differentiations of our business model.

In 2024, we adopted a holding strategy, retaining all bitcoin mined in our operations. We pledged the mined bitcoin as collateral to secure the necessary operational funds. As of December 31, 2024, we had pledged 48 bitcoins to obtain a loan of \$2.1 million.

Our net revenues were \$5.54 million, \$6.78 million, and \$10.64 million for years ended December 31, 2024, 2023 and 2022, respectively. Our net loss was \$5.89 million, \$6.12 million, and \$ 8.85 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Major Factors Affecting Our Results of Operations

Our revenue comprises a combination of sales of high-performance crypto asset mining machines and outdoor computing infrastructure container, hosting service fee, block rewards and income from our mining pool. We expect our future revenue will include bitcoin transaction fee, earned for verifying transactions in support of the blockchain, resales of waste heat from our products and operations to be deployed and any technology-related types of charge based on our intellectual property.

Factors Affecting Our Sales of Equipment and Hosting Service Fee

Availability of Secure and Sustainable Power Supply

Following the ban on crypto asset mining by the Chinese government in May 2021, the bitcoin mining industry has come to realize that the availability of secure and sustainable power supply has been the paramount factor in conducting bitcoin mining operations. We continuously explore clean and cost-effective power supplies and build up readily accessible infrastructure to operate the mining machines for our hosting clients and for self-owned mining machines. Currently, we are actively investigating the potential of utilizing SMR technology to power mining operations.

Ability to Acquire Customers Effectively

Our ability to increase the hosting clients and sales of crypto asset mining machines largely depends on our ability to attract potential clients through sales and marketing efforts. Presently, we owned and operate Bitcoin Mining Operations in North American located in Marietta, state of Ohio in the United States. We also constructed vertical agricultural Greenhouse and fish farming pond pools which were heated by the hot water generated from Bitcoin Mining. Our products and solutions can reduce aggregate carbon emissions compared to traditional stand-alone heating and bitcoin mining while also reducing the mining operation costs by potentially selling the waste heat. It will attract a large number of institutional investors.

Our future sales and marketing efforts will include those related to customer acquisition and retention, and general marketing. We intend to continue to dedicate significant resources to our clean energy solutions, proprietary waste heat recovery technology and constantly seek to minimize the total cost of mining operation, in particular with regard to cost of electricity and cost of heat.

Regulatory Environment in Countries We Operate

We operate and plan to operate in a complex and rapidly evolving regulatory environment and expects to be subject to a wide range of laws and regulations enacted by U.S. federal, state, and local governments, governmental agencies, and regulatory authorities, including the SEC, the Commodity Futures Trading Commission (the "CFTC"), the Federal Trade Commission (the "FTC"), and the Financial Crimes Enforcement network of the U.S. Department of Treasury, as well as similar entities in other countries. Other regulatory bodies, governmental or semi-governmental, have shown an interest in regulating companies engaged in the blockchain or cryptocurrency businesses.

The regulatory environment is subject to potential substantial changes in the future, making it presently impossible to ascertain their application and effectiveness on our business. While we anticipate increased scrutiny from regulators in 2025 and beyond regarding bitcoin mining, the impact of these regulations on our operations remains uncertain. As the legal and regulatory environment continues to evolve, we may be subjected to new laws and regulations enforced by agencies such as the SEC, potentially affecting our mining activities. Furthermore, state and local regulations play a crucial role in determining suitable locations for our mining operations. Although Ohio currently offers favorable regulatory environments for bitcoin miners compared to other states, expanding into new areas may expose us to additional state and local regulatory requirements.

As of the date of this Annual Report, our mining revenue consist of one data-center, which consist of 734 bitcoin mining machines, in Marietta, Ohio, the United States ("SAI NODE Marietta") with a hash rate of approximately 110.85 PH/s, and a group of 420 bitcoin mining machines hosted at our datacenter partner in La Pechuga, Mexico ("Mexico Operation") with a hash rate of approximately 43.68 PH/s. We possessed a total of 154.53 PH/s of managing hash rate as of the date of this Annual Report. Considering our review of global bitcoin mining industry and changing regulatory framework in different countries, we are currently focusing on expansion opportunities primarily in North American and Central Asia countries.

Factors Affecting Block Rewards and Bitcoin Transaction Fees

Block rewards are fixed, and the bitcoin network is designed to periodically reduce them through halving. After the halving event of April 2024, the current rewards are fixed at 3.125 bitcoin per block plus transaction fees, and it is estimated that it will halve again to 1.5625 bitcoin in 2028.

Market Price of Bitcoin

Our business is heavily dependent on the spot price of bitcoin. The prices of cryptocurrencies, specifically bitcoin, have experienced substantial volatility, which may reflect “bubble” type volatility, meaning that high or low prices may have little or no merit, may be subject to rapidly changing investor sentiment, and may be influenced by factors such as technology, regulatory void or changes, fraudulent actors, manipulation, and media reporting. Bitcoin (as well as other cryptocurrencies) may have value based on various factors, including their acceptance as a means of exchange by consumers and producers, scarcity, and market demand. As of December 31, 2024, we held 66.89 bitcoins, which does not represent a significant increase compared to 65.98 bitcoins as of December 31, 2023. Since 2023, the Company adopted ASU No. 2023-08, Intangibles - Goodwill and Other - Crypto Assets (Topic 350-60): Accounting for and Disclosure of Crypto Assets (ASU 2023-08), which requires entities to measure crypto assets at fair value (the “fair value model”) with changes recognized in income each reporting period. During the year ended December 31, 2024, the Company recognized a gain on crypto assets of \$2.3 million under the new fair value model.

The substantial volatility in the bitcoin price also had significant impacts on our profitability and capital expansion plan, since the price fall renders the costs of electricity fees, which is the major mining cost component and remains relatively fixed, as a percentage of bitcoin price exceedingly high to the extent that bitcoin mining becomes a loss-making activity.

Halving

Further affecting the industry, and particularly for the bitcoin blockchain, the cryptocurrency reward for solving a block is subject to periodic incremental halving. 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, our most significant cryptocurrency asset to which the majority of our mining power is devoted, the reward was initially set at 50 bitcoin currency rewards per block. The bitcoin blockchain has undergone halving four times since its inception as follows: (1) on November 28, 2012, at block 210,000; (2) on July 9, 2016 at block 420,000; (3) on May 11, 2020 at block 630,000; (4) on April 19, 2024 at block 840,000, when the reward was reduced to its current level of 3.125 bitcoin per block. The next halving for the bitcoin blockchain is anticipated to occur in April 2028 at block 1,050,000. This process will reoccur until the total amount of bitcoin currency rewards issued reaches 21 million and the theoretical supply of new bitcoin is exhausted, which is expected to occur around 2140. Many factors influence the price of bitcoin and other cryptocurrencies, and potential increases or decreases in prices in advance of or following a future halving is unknown.

Transaction Fees

Bitcoin miners also collect transaction fees for each transaction they confirm. Miners validate unconfirmed transactions by adding the previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. Miners have historically accepted relatively low transaction confirmation fees, because miners have a very low marginal cost of validating unconfirmed transactions; however, unlike the fixed block rewards, transaction fees may vary, depending on the consensus set within the network.

As the use of the bitcoin network expands and the total number of bitcoin available to mine declines, and the block rewards also decline over time, we expect the mining incentive structure to transition to a higher reliance on transaction confirmation fees, and the transaction fees to become a larger proportion of the revenues to miners.

Non-GAAP Financial Measures

We are providing supplemental financial measures for non-GAAP net income from operations that excludes the impact of share-based compensation expense, loss from disposal of property and equipment, impairment losses on crypto assets, depreciation of fixed assets and amortization of intangible assets. This supplemental financial measure is not measurement of financial performance under generally accepted accounting principles in the United States (“GAAP”) and, as a result, this supplemental financial measure may not be comparable to similarly titled measures of other companies. Management uses this non-GAAP financial measure internally to help understand, manage, and evaluate our business performance and to help make operating decisions.

We believe that this non-GAAP financial measure is also useful to investors and analysts in comparing our performance across reporting periods on a consistent basis. Non-GAAP financial measures are subject to material limitations as they are not in accordance with, or a substitute for, measurements prepared in accordance with GAAP. For example, we expect that share-based compensation expense, which is excluded from non-GAAP financial measures, will continue to be a significant recurring expense over the coming years and is an important part of the compensation provided to certain employees, officers, and consultants. Similarly, we expect that depreciation of fixed assets and amortization of intangible assets will continue to be a recurring expense over the term of the useful life of the assets. We also will exclude impairment losses on crypto assets from the non-GAAP financial measure, which may occur in future periods as a result of our continued holdings of significant amounts of bitcoin. Our non-GAAP financial measure is not meant to be considered in isolation and should be read only in conjunction with our Consolidated Financial Statements, which have been prepared in accordance with GAAP. We rely primarily on such Consolidated Financial Statements to understand, manage, and evaluate our business performance and use the non-GAAP financial measure only supplementally.

The following is a reconciliation of our non-GAAP net (loss) income for the years ended December 31, 2024, 2023 and 2022 respectively, which excludes the impact of (i) share-based compensation expense, (ii) loss from disposal of property and equipment, (iii) depreciation of fixed assets and amortization of intangible assets (dollars in thousands):

	For the year ended December 31,		
	2022	2023	2024
Reconciliation of non-GAAP net (loss) income:			
Net (loss) income	\$ (8,845)	\$ (6,120)	\$ (5,886)
Share-based Compensation Expense	1,060	2,641	3,458
Loss from disposal of property and equipment	718	402	2
Depreciation and amortization expenses	1,662	1,347	1,655
Non-GAAP net (loss) income	<u>\$ (5,405)</u>	<u>\$ (1,730)</u>	<u>\$ (771)</u>

Results of Operations

For the year ended December 31, 2023 and 2024

The following table shows key components of our results of operations for the years ended December 31, 2023, and 2024, in dollars and as a percentage of fluctuations (dollars in thousands).

	For the year ended December 31,		Change	
	2023	2024	Amount	%
Revenues				
Sales of products	\$ 4,802	\$ 2,503	\$ (2,299)	(48)
Hosting service	366	52	(314)	(86)
Mining pool	308	69	(239)	(78)
Mining revenue	1,300	2,919	1,619	125
Total revenues	<u>6,776</u>	<u>5,543</u>	<u>(1,233)</u>	<u>(18)</u>
Cost of revenues				
Sales of products	4,290	2,276	(2,014)	(47)
Hosting service	329	38	(291)	(88)
Mining pool	308	68	(240)	(78)
Mining revenue	1,392	4,171	2,779	200
Total cost of revenues	<u>6,319</u>	<u>6,553</u>	<u>234</u>	<u>4</u>
Gross (loss)/profit	<u>457</u>	<u>(1,010)</u>	<u>(1,467)</u>	<u>(321)</u>
Selling and marketing expenses	1,134	284	(850)	(75)
General and administrative expenses	5,703	5,973	270	5
Research and development expenses	853	642	(211)	(25)
Impairment of long-lived assets	138	—	(138)	(100)
Total operating expenses	<u>7,828</u>	<u>6,899</u>	<u>(929)</u>	<u>(12)</u>
Profit (Loss) from operations	<u>(7,371)</u>	<u>(7,909)</u>	<u>(538)</u>	<u>7</u>
Other income(expense), net	1,251	2,023	772	62
Profit(loss) before income tax expense	<u>(6,120)</u>	<u>(5,886)</u>	<u>234</u>	<u>(4)</u>
Income tax expenses	—	—	—	0
Net Profit (Loss)	<u>(6,120)</u>	<u>(5,886)</u>	<u>234</u>	<u>(4)</u>
Foreign currency translation gain	(56)	(25)	31	(55)
Total comprehensive loss	<u>\$ (6,176)</u>	<u>\$ (5,911)</u>	<u>\$ 266</u>	<u>(4)</u>

Revenues

Sales of products. Sales of equipment represents the sales of high-performance crypto asset mining machines and outdoor computing infrastructure container to end customers. The revenue of sales of equipment was \$4.8 million and \$2.5 million for the years ended December 31, 2023, and 2024, respectively, decreased by \$2.3 million, or 48%. The decrease in sales of equipment revenue was mainly due to fewer customer orders during fiscal year 2024.

Hosting service. Hosting service represented the provision of hosting service and daily maintenance of servers to customers. The hosting service revenue decreased by \$0.3 million, or 86%, from \$0.4 million for the year ended December 31, 2023 to \$0.05 million for the year ended December 31, 2024. Our hosting facilities are mainly based in Mexico in 2024. The reason for the decrease in hosting service revenue in 2024 is that our hosting clients requested power-off of their machines since their high power-consumption miners do not deliver profit when block reward halving occurred in April 2024.

Mining pool. Mining pool service income represents revenues from the Company's self-owned Sai.plus mining pool which was started in 2021, representing mining rewards from Sai.plus mining pool. The Company allocates mining rewards to each pool participant, mainly our hosting clients, net of the pool operator fees based on the sharing mechanism predetermined and records as cost of mining pool revenue. Mining pool service revenue decreased by \$0.2 million, or 78%, from \$0.3 million for the year ended December 31, 2023 to \$0.07 million for the year ended December 31, 2024. In 2024, some hosting customers using our pool chose to shut down miners due to block reward halving events, resulting in the decrease in our mining pool revenue.

Mining revenue. Mining revenue represents mining rewards generated from the Company's self-owned mining machines. The mining revenue increased by \$1.6 million, or 125%, from \$1.3 million for the year ended December 31, 2023, to \$2.9 million for the year ended December 31, 2024, reflecting the increased in the average price of bitcoin mined. The average price of bitcoin mined was 130% higher than the average price of bitcoin mined in the prior year and average daily bitcoin production was 0.13 bitcoin in the current year period compared with 0.12 in the prior year.

Cost of revenues

Cost of revenues primarily included the cost for the purchase of high-performance crypto asset mining machines and outdoor computing infrastructure container, energy and the direct costs incurred for the provision of hosting service and mining rewards allocated to each provider of pool participant in exchange for their computing power contributed to the mining pool.

The cost of revenues increased by \$0.23 million or 4%, from \$6.32 million for the year ended December 31, 2023, to \$6.55 million for the year ended December 31, 2024. The increase in cost of revenues was attributed to the growth in self-mining business.

Gross (loss)/profit and gross margin

Our gross losses for the year ended December 31, 2024, was \$1.01 million compared to gross profits of \$0.46 million for year ended December 31, 2023. Gross losses as a percentage of revenue ("gross margin") was 18% for the year ended December 31, 2024, compared to gross profits as a percentage of revenue was 7% for the year ended December 31, 2023. The gross losses were mainly attributable to the higher costs of mining revenue.

Selling and marketing expenses

Our selling and marketing expenses primarily consist of salary and benefits expense, advertising expenses, share-based award expenses and travelling expenses to participate in marketing activities. Selling and marketing expenses decreased by 0.85 million or 75%, from \$1.13 million for the year ended December 31, 2023, to \$0.28 million for the year ended December 31, 2024. The decrease was mainly attributable to a decrease of \$0.3 million share-based payment expenses, a decrease of \$0.23 million depreciation and amortization expenses and a decrease of \$0.17 million travelling expenses.

General and administrative expenses

Our general and administrative expenses mainly represented salaries and bonus, office related expenses, idle assets depreciation cost and professional service fees. General and administrative expenses increased by \$0.27 million, or 5%, from \$5.7 million for the year ended December 31, 2023, to \$5.97 million for the year ended December 31, 2024. The increase was mainly attributable to share-based payment expense, which is \$3.15 million and \$1.93 million, respectively, for the year ended December 31, 2024 and 2023 and partly offset by a decrease of \$0.27 million depreciation and amortization expenses and a decrease of \$0.48 million salary and benefits expenses as we tightened our expense controls.

Research and development expenses

Our research and development expenses mainly represented the cost related to our new product research and development. Research and development expenses decreased by \$0.21 million, or 25%, from \$0.85 million for the year ended December 31, 2023, to \$0.64 million for the year ended December 31, 2024. Salary and benefits expenses decreased by \$0.03 million, from \$0.23 million for the year ended December 31, 2023 to \$0.2 million for the year ended December 31, 2024, and share-based compensation expenses as well that decreased by \$0.1 million, from \$0.4 million for the year ended December 31, 2023 to \$0.3 million for the year ended December 31, 2024.

Impairment of long-lived assets

The impairment of long-lived assets decreased by \$0.14 million in 2024, or 100%, from \$0.14 million for the year ended December 31, 2023 to \$0 million for the year ended December 31, 2024.

There was no impairment of long-lived assets in 2024, attributable to the increase in BTC price.

Other income/(expense), net

Other income increased by \$0.8 million, or 62%, from \$1.25 million for the year ended December 31, 2023, to \$2.02 million for the year ended December 31, 2024. The increase is mainly attributable to an increase of \$1.25 million change in fair value of crypto assets.

Net (loss)/income

As a result of the foregoing, we had net loss of \$5.89 million for the year ended December 31, 2024, and net loss of \$6.12 million for the year ended December 31, 2023.

For the year ended December 31, 2022, and 2023

The following table shows key components of our results of operations for the years ended December 31, 2022, and 2023, in dollars and as a percentage of fluctuations (dollars in thousands).

	For the year ended December 31,		Change	
	2022	2023	Amount	%
Revenues				
Sales of products	\$ 8,626	\$ 4,802	\$ (3,824)	(44)
Hosting service	1,303	366	(937)	(72)
Mining pool	676	308	(368)	(54)
Mining revenue	33	1,300	1,267	3839
Total revenues	10,638	6,776	(3,862)	(36)
Cost of revenues				
Sales of products	7,748	4,290	(3,458)	(45)
Hosting service	1,054	329	(725)	(69)
Mining pool	676	308	(368)	(54)
Mining revenue	20	1,392	1,372	6860
Total cost of revenues	9,498	6,319	(3,179)	(33)
Gross (loss)/profit	1,140	457	(683)	(60)
Selling and marketing expenses	1,098	1,134	36	3
General and administrative expenses	6,080	5,703	(377)	(6)
Research and development expenses	476	853	377	79
Impairment of long-lived assets	951	138	(813)	(85)
Total operating expenses	8,605	7,828	(777)	(9)
Profit (Loss) from operations	(7,465)	(7,371)	94	(1)
Other income(expense), net	(1,380)	1,251	2,631	(191)
Profit(loss) before income tax expense	(8,845)	(6,120)	2,725	(31)
Income tax expenses	—	—	—	0
Net Profit (Loss)	(8,845)	(6,120)	2,725	(31)
Foreign currency translation gain	(544)	(56)	488	(90)
Total comprehensive loss	\$ (9,389)	\$ (6,176)	\$ 3,213	(34)

Revenues

Sales of products. Sales of products represents the sales of high-performance crypto asset mining machines to end customers. The revenue of sales of products was \$8.6 million and \$4.8 million for the years ended December 31, 2022, and 2023, respectively, decreased by \$3.8 million, or 44%. The decrease in sales of products revenue was mainly due to fewer customer purchase orders during fiscal year 2023 compared to last year.

Hosting service. Hosting service represented the provision of hosting service and daily maintenance of servers to customers. The hosting service revenue decreased by \$0.9 million, or 72%, from \$1.3 million for the year ended December 31, 2022 to \$0.4 million for the year ended December 31, 2023. Our hosting facilities are mainly based in Kazakhstan in 2022, and Mexico in 2023. On May 21, 2021, the Financial Stability and Development Committee of the State Council in China proposed to “crack down on bitcoin mining and trading.” We then terminated all the mining business in China, and restart our hosting service in Kazakhstan in second half of 2021. The reason for the decrease in hosting service revenue in 2023 is that our hosting clients requested frequent power-off of their machines since their high-power consumption miners do not deliver profitable when BTC price dropped significantly in early 2023 and overall BTC network hash rate rapidly increased in the latter 2023.

Mining Pool. Mining pool income represents revenues from the Company’s self-owned Sai.plus mining pool which was started in 2021, representing mining rewards from Sai.plus mining pool. The Company allocates mining rewards to each pool participant, mainly our hosting clients, net of the pool operator fees based on the sharing mechanism predetermined and records as cost of mining pool revenue. Mining pool revenue decreased by \$0.4 million, or 54%, from \$0.7 million for the year ended December 31, 2022 to \$0.3 million for the year ended December 31, 2023. In 2023, some mining machines using our pool shut down due to BTC price fluctuations and rapid increase in overall BTC network hash rate, resulting the decrease in our mining pool revenue.

Mining revenue. Mining revenue represents mining rewards generated from the Company’s self-owned mining machines. The mining revenue increased by \$1.3 million, or 3839%, from \$0.03 million for the year ended December 31, 2022, to \$1.3 million for the year ended December 31, 2023, reflecting the increased scale of the Company’s mining operations, which we self-constructed in Marietta, Ohio and were launched since July 2023. The rollout of our new mining site has brought about a capacity up to 15MW, which we have filled 2.5MW as of December 31, 2023.

Cost of revenues

Cost of revenues primarily included the cost for the purchase of high-performance crypto asset mining machines, energy and the direct costs incurred for the provision of hosting service and mining rewards allocated to each provider of pool participant in exchange for their computing power contributed to the mining pool.

The cost of revenues decreased by \$3.18 million or 33%, from \$9.5 million for the year ended December 31, 2022, to \$6.3 million for the year ended December 31, 2023. The decrease in cost of revenues was basically in line with the decrease in revenue.

Gross (loss)/profit and gross margin

Our gross profit decreased by \$0.68 million, from \$1.14 million for the year ended December 31, 2022, to gross profit of \$0.46 million for year ended December 31, 2023. Gross profit as a percentage of revenue (“gross margin”) was 11 % and 7% for the year ended December 31, 2022, and 2023, respectively.

Selling and marketing expenses

Our selling and marketing expenses primarily consist of salary and benefits expense, advertising expenses, share-based award expenses and travelling expenses to participate in marketing activities. Selling and marketing expenses kept flat during 2023 compared to 2022.

General and administrative expenses

Our general and administrative expenses mainly represented salaries and bonus, office related expenses, idle assets depreciation cost and professional service fees. General and administrative expenses decreased by \$0.38 million, or 6%, from \$6.08 million for the year ended December 31, 2022, to \$5.7 million for the year ended December 31, 2023. The decrease was mainly attributable to a decrease of \$0.74 million depreciation and amortization expenses and a decrease of \$0.34 million salary and benefits expenses as we tightened our expense controls. The increase on one hand, is due to share-based payment expense, which is \$1.93 million and \$0.79 million, respectively, for the year ended December 31, 2023 and 2022.

Research and development expenses

Our research and development expenses mainly represented the cost related to our new product research and development. Research and development expenses increased by \$0.38 million, or 79%, from \$0.48 million for the year ended December 31, 2022, to \$0.85 million for the year ended December 31, 2023. Salary and benefits expenses increased by \$0.1 million, from \$0.13 million for the year ended December 31, 2022 to \$0.23 million for the year ended December 31, 2023. The increase is mainly attributable to share-based compensation expenses that increased by \$0.3 million, from \$0.1 million for the year ended December 31, 2022 to \$0.4 million for the year ended December 31, 2023 as we granted shares incentive plans to attract newly joined technical experts.

Impairment of long-lived assets

The impairment of long-lived assets decreased by \$0.81 million in 2023, or 85%, from \$0.95 million for the year ended December 31, 2022 to \$0.14 million for the year ended December 31, 2023.

Our impairment of long-lived assets in 2023 is due to impairment of mining equipment. Due to the decrease in BTC price, increasing electricity cost and high market volatility in 2022, the management shut down most of the miners and reviewed the impairment of miners and equipment. We assess the recoverability of the assets based on the undiscounted future cash flows the assets are expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. If an impairment is identified, the Company would reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values. We recognized \$0.59 million in mining equipment impairment loss, \$0.27 million in SAIHUB (container) impairment and an impairment of crypto assets of \$0.06 million for the year ended December 31, 2022, which was recorded to reflect our cryptocurrencies at the lower of carrying value or fair value as of December 31, 2022. In 2023, we continue to make impairment of \$0.14 million for mining machines.

Other income/(expense), net

Compared to other expense of \$1.38 million, other income was \$1.25 million for the year ended December 31, 2023, mainly comprising of \$0.79 million gain from change in fair value of crypto assets as a result of the adoption of ASU 2023-08, \$0.71 million government subsidy income, and \$0.4 million loss due to disposal of certain facility and equipment.

Net (loss)/income

As a result of the foregoing, we had net loss of \$6.12 million for the year ended December 31, 2023, and net loss of \$8.85 million for the year ended December 31, 2022.

Critical Accounting Policies

Basis of Presentation

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of us and our subsidiaries, of which we are the primary beneficiary, from the dates they were acquired or incorporated. All inter-company transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of these consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company continually evaluates these estimates and assumptions based on the most recently available information, historical experience and various other assumptions that the Company believes to be reasonable under the circumstances. Significant accounting estimates reflected in the Company's consolidated financial statements include but are not limited to estimates and judgments applied in determination of allowance for doubtful receivables, impairment losses for long-lived assets including intangible assets, impairment loss for cryptocurrencies, valuation allowance for deferred tax assets, provision for inventory, estimated forfeiture rate in calculation of share-based payment, estimated interest rate on calculation of operating lease. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

Foreign Currency Translation and Transactions

Historically, our principal country of operations was the PRC. The financial position and results of its operations are determined using RMB, the local currency, as the functional currency. Our financial statements are reported using U.S. Dollars ("US\$" or "\$"). Assets and liabilities are translated using the exchange rate at each balance sheet date. The statements of operations and the consolidated statements of cash flows denominated in foreign currency are translated at the average rate of exchange during the reporting period, and shareholders' equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive (loss)/income in shareholders' equity.

The value of RMB against US\$ and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Any significant revaluation of RMB may materially affect our financial condition in terms of US\$ reporting. The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	As of December 31, 2023	As of December 31, 2024	
Balance sheet items, except for equity accounts	7.0827	7.1884	
	For the Year Ended December 31,		
	2022	2023	2024
Items in the consolidated statements of operations and comprehensive (loss)/income, and cash flows	6.7190	7.0422	7.1205

No representation is intended to imply that the RMB amounts could have been, or could be, realized or settled into US\$ at that rate stated above, or at any other rate.

Fair Value of Financial Instruments

Our financial instruments primarily consist of cash and cash equivalents, accounts receivable and amount due from related parties. The carrying values of these financial instruments' approximate fair values due to their short term in nature.

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

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. We evaluate our hierarchy disclosures each quarter.

Revenue Recognition

In accordance with ASC Topic 606, revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. In determining when and how much revenue is recognized from contracts with customers, we perform the following five-step analysis: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; (5) recognize revenue when (or as) the entity satisfies a performance obligation. We assess our revenue arrangements against specific criteria in order to determine if we are acting as principal or agent.

Sales of products. Revenues are generated from sales of products when we act as principal for the sales of high-performance crypto asset mining machines to end customers. We present the revenue generated from our product sales on a gross basis as we have control of the goods and have the ability to direct the use of goods to obtain substantially all the benefits. In making this determination, we also assess whether we are primarily obligated in these transactions, are subject to inventory risk, have latitude in establishing prices, or have met several but not all of these indicators. Revenues are measured as the amount of consideration we expect to receive in exchange for transferring control of products to customers. Consideration from product sales is recorded net of value-added tax, and there is generally no other performance obligation other than the delivery of products. Proceeds from product sales are recognized at the point in time when the receipt of product is confirmed by the customer.

Hosting service. Revenues are generated from hosting service and daily maintenance of servers for customers throughout the contractual period. The single performance obligation is to provide an environment for the servers to operate continuously which is satisfied over time. Such service revenue is recognized over time as the performance obligation is satisfied over the term of the contracts with customers.

Mining pool service. We operate our mining pool, Sai.plus, 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 our coordination efforts as the pool operator. We receive all the mining rewards in our own name, and then allocate 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.

We consider ourselves 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 we have 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. We consider ourselves the principal in transactions with the blockchain networks as we coordinate all the computing power within the mining pool, deliver such aggregated computing power to the blockchain network, collect centrally all mining rewards and distribute them in accordance with the predetermined sharing mechanisms. We have 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, we dictate the tasks and the participants' mining machines merely follow the allocation prescribed by us. As a result, we are primarily responsible for fulfilling the promise to provide the specified service. Further, under existing sharing mechanisms, we are exposed to the risk that actual block rewards may differ from expected rewards, therefore, bear the inventory risk before the specified service has been transferred to a customer. We provide mining pool services under Sai.plus.

Mining revenue. We have entered into crypto asset mining pools by executing contracts, as amended from time to time, with the mining pool operators to provide computing power to the mining pool. The contracts are terminable at any time by either party and our enforceable right to compensation only begins when we provide computing power to the mining pool operator. In exchange for providing computing power, we are entitled to a fractional share of the fixed cryptocurrency award the mining pool operator receives (less crypto asset transaction fees to the mining pool operator which are immaterial and are recorded as a deduction from revenue), for successfully adding a block to the blockchain.

Crypto Assets

Crypto assets purchased are recorded at cost and Crypto assets (mainly bitcoin) awarded to the Company through its mining activities are accounted for in connection with the Company's revenue recognition policy. Crypto assets (bitcoin) are included in current and other assets in the accompanying Consolidated Balance Sheets due to the Company's ability to sell bitcoin in a highly liquid marketplace and the selling of bitcoin to fund operating expenses to support operations. Crypto assets held are accounted for as intangible assets with indefinite useful lives. Crypto assets are measured on a first-in-first-out ("FIFO") in order to more accurately reflect the disposition of Company's crypto assets. ASC 350-60 provides guidance on classifying proceeds from bitcoin and concludes that bitcoin converted nearly immediately into cash would qualify as cash flows from operating activities. All other sales would qualify as investing activities. The Company evaluates its sales of bitcoin and will record crypto assets sold nearly immediately as operating cash flows and the remainder will be recorded as investing activities. During the year ended December 31, 2024, all proceeds from bitcoin sales were classified as investing activities.

Under ASU 2023-08, Intangibles-Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets ("ASU 2023-08"), which requires entities to measure crypto assets at fair value with changes recognized in the Consolidated Statement of Operations and Comprehensive Income (Loss) each reporting period. The Company's crypto assets are within the scope of ASU 2023-08, crypto assets are revalued at fair value at the end of each reporting period, with changes in fair value recognized in net income. As a result, fluctuations in the price of Bitcoin may significantly impact our results of operations.

Crypto assets generated from the crypto assets mining business and the mining pool business as well as the crypto assets distributed to mining pool participants are included within operating activities in the accompanying consolidated statements of cash flows. The sales of crypto assets 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 crypto assets in the consolidated statements of operations and comprehensive (loss)/income.

Income Taxes

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

Uncertain Tax Positions

We use a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As a result, the impact of an uncertain income tax position is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

Interest on non-payment of income taxes under requirement by tax law and penalties associated with tax positions when a tax position does not meet the minimum statutory threshold to avoid payment of penalties recognized, if any, will be classified as a component of the provisions for income taxes. The tax returns of our Hong Kong and PRC subsidiaries are subject to examination by the relevant local tax authorities.

According to the Departmental Interpretation and Practice Notes No.11 (Revised) (“DIPN11”) of the Hong Kong Inland Revenue Ordinance (the “HK tax laws”), an investigation normally covers the six years of the assessment prior to the year of the assessment in which the investigation commences. In the case of fraud and willful evasion, the investigation is extended to cover ten years of assessment.

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances, where the underpayment of taxes is more than RMB0.1 million. In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion.

According to the U.S. tax laws, the statute of limitations for settlement of uncertain tax positions is generally three years from the date the tax return was filed. During this period, the Internal Revenue Service (IRS) can assess additional taxes or adjustments based on the position that was not specifically reviewed. If the IRS identifies a computational error in the tax return or a similar position that was not reviewed, the statute of limitations may extend to five years. For more complex issues related to transfer pricing, the statute of limitations can extend to ten years. Additionally, if there is a case of similar positions previously settled through the expiration of the statute of limitations, the IRS may re-examine these positions. Furthermore, if the underpayment of taxes is due to willful neglect, there is no statutory limitation on the IRS’s ability to audit and assess taxes.

The recognition of uncertain tax positions is based on a “more-likely-than-not” threshold as outlined in ASU 2016-16, in which previously unrecognized tax benefits should be recognized when a position is effectively settled through the expiration of the statute of limitations. If the statute of limitations is not expected to expire, the related tax position should be classified as a current liability if cash payments are expected within one year or the operating cycle, whichever is longer.

For the year ended December 31, 2024, 2023 and 2022, we did not have any material interest or penalties associated with tax positions. We did not have any significant unrecognized uncertain tax positions as of December 31, 2023 and 2024. We do not expect that our assessment regarding unrecognized tax positions will materially change over the next 12 months.

Impairment of Long-lived Assets

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Recently Issued or Adopted Accounting Standards

The Company continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement may affect the Company’s financial reporting, the Company undertakes an analysis to determine any required changes to its Consolidated Financial Statements.

In November 2024, the Financial Accounting Standards Board (“FASB”) issued Update ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* (“ASU 2024-03”). ASU 2024-03 requires public business entities to provide additional disclosures in the notes to financial statements, disaggregating specific expense categories within relevant income statement captions. The prescribed categories include purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depreciation, depletion, and amortization related to oil-and-gas producing activities. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of adopting the standard.

In December 2023, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (“ASU 2023-09”). ASU 2023-09 expands existing income tax disclosures for rate reconciliations by requiring disclosure of certain specific categories and additional reconciling items that meet quantitative thresholds and expands disclosures for income taxes paid by requiring disaggregation by certain jurisdictions. ASU 2023-09 is effective for annual periods beginning after December 15, 2024; early adoption is permitted. The Company is currently evaluating the impact of adopting the standard.

In December 2023, the FASB issued ASU 2023-08, *Intangibles - Goodwill and Other - Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*, which establishes accounting guidance for crypto assets meeting certain criteria. Bitcoin meets these criteria. The amendments require crypto assets meeting the criteria to be recognized at fair value with changes recognized in net income each reporting period. Upon adoption, a cumulative-effect adjustment is made to the opening balance of retained earnings as of the beginning of the annual reporting period of adoption. ASU 2023-08 is effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted. The Company elected to early adopt ASU 2023-08 for the year ended December 31, 2023. As a result of the adoption, the Company recorded a cumulative effect adjustment to its Accumulated deficit balance of approximately \$0.08 million as of January 1, 2023, as a result of recognizing its Bitcoin held as of January 1, 2023, at fair value.

On November 27, 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. ASU 2023-07 is designed to improve the reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses that are regularly provided to the CODM. The new standard is effective for the Company for its fiscal year beginning January 1, 2025, with early adoption permitted. The adoption of this standard did not have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”. The amendments in this ASU require the measurement and recognition of expected credit losses for financial assets held at amortized cost. The amendments in this ASU replace the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. In November 2018, the FASB issued ASU No. 2018-19, “Codification Improvements to Topic 326, Financial Instruments-Credit Losses”, which among other things, clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. For public entities, the amendments in these ASUs are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. According to ASU 2019-10, the effective date of ASU No. 2016-13 and its subsequent updates for all other entities was deferred to for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of this standard did not have a material impact on our consolidated financial statements.

Other accounting pronouncements that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our consolidated financial position and results of operations upon adoption.

Internal Control over Financial Reporting

Prior to the Business Combination, we have been a private company with limited accounting personnel and other resources to address our internal control over financial reporting. In connection with the preparation and external audit of our consolidated financial statements, We and our independent registered public accounting firms identified two material weakness in our internal control over financial reporting as of December 31, 2024 and 2023. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, 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 annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses that have been identified relate to: (i) lack of the key monitoring mechanisms such as internal audit department to oversee and monitor Company’s risk management, business strategies and financial reporting procedures. (ii) lack of formal financial closing policies and effective control over periodic financial closing procedures which resulted into management’s late adjustments at period ends.

Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness or significant deficiency in our internal control over financial reporting, as we will be required to do once we become a public company and our independent registered public accounting firm may be required to do once we cease to be an Emerging Growth Company. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional material weaknesses may have been identified.

To remediate the material weakness identified in internal control over financial reporting, we have begun, and will continue to : (a) continuing our efforts to set up the internal audit department, and enhance the effectiveness of the internal control system; (b) continuing our efforts to implement necessary review and controls at related levels and all important documents and contracts (including all of its subsidiaries) will be submitted to the office of its Chief Administrative Officer and Chief Financial Officer for retention and review, and (c) hire qualified consultant to assess Sarbanes-Oxley Act compliance readiness, to assess where we can improve our overall internal control over financial reporting function, and to assist us in implementing improvements where necessary.

As a company with less than \$5.54 million in revenue for our last fiscal year, we qualify as an “Emerging Growth Company” pursuant to the JOBS Act. An Emerging Growth Company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the Emerging Growth Company’s internal control over financial reporting.

B. Liquidity and Capital Resources

For the year ended December 31, 2024, we had a net loss of \$5.9 million and net cash outflow in operating activities of \$5.6 million. As of December 31, 2024, our consolidated current assets exceeded our consolidated current liabilities by \$7.2 million, we had cash and cash equivalents of \$1.0 million, crypto assets and stablecoins assets of \$6.9 million, and accumulated deficit of \$37.2 million. We believe our current cash and crypto assets on hand is sufficient to meet our operating and capital requirement for at least the next twelve months from the date these financial statements are issued.

We continue to explore opportunities to grow our business. However, we have not yet achieved a business scale that is able to generate a sufficient level of revenues to achieve positive cash flows from operating activities, and we expect the negative cash flows from operations will continue for the foreseeable future. While we have sufficient cash for the next twelve months from the date these financial statements are issued, if we are unable to grow the business to achieve economies of scale in the future, it will become even more difficult for us to sustain a sufficient source of cash to cover our operating costs. We plan to raise additional capital, including among others, obtaining debt financing, to support our future operation. There can be no assurance, however, that we will be able to obtain additional financing on terms acceptable to us, in a timely manner, or at all.

As a Cayman exempted and offshore holding company, we are permitted under PRC laws and regulations to provide funding to our wholly foreign-owned subsidiary in China only through loans or capital contributions, subject to the approval of government authorities and limits on the amount of capital contributions and loans. In addition, our wholly foreign-owned subsidiary in China may provide Renminbi funding to our consolidated VIE only through entrusted loans. On August 31, 2021, we have terminated control agreements with Beijing Saire Technology Co., Ltd (“Beijing SAI”), a variable interest entity, and Beijing SAI’s shareholders, as a result our corporate structure no longer contains any VIE structure and our operations are no longer subject to limits and uncertainties applicable to those with a VIE structure. However, we will continue to be dependent on access to distributions of cash from our other subsidiaries.

Cash Generating Ability

Our cash flows were summarized below (in thousands):

	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2024
Net cash used in operating activities	\$ (4,933)	\$ (3,125)	\$ (5,554)
Net cash used in investing activities	(6,424)	(4,897)	1,347
Net cash provided by financing activities	18,533	9	2,115
Effect of exchange rate changes on cash and cash equivalents	(438)	(26)	(5)
Net increase in cash and cash equivalents	\$ 6,738	\$ (8,039)	\$ (2,097)
Cash and cash equivalents at the beginning of the period	\$ 4,477	\$ 11,215	\$ 3,176
Cash and cash equivalents at the end of the period	\$ 11,215	\$ 3,176	\$ 1,079

Operating Activities

Net cash used in operating activities for the year ended December 31, 2024 was \$5.6 million, as compared to \$3.1 million used in operating activities for the year ended December, 2023. For the year ended December 2024, the cash outflow mainly reflected net loss of \$5.9 million with an add-back of share-based payment of \$3.5 million, depreciation and amortization expense of \$1.7 million, ROU amortization of \$0.2 million, partially offset by an increase in changes in fair value of crypto assets of \$2.0 million, and net changes in our operating assets and liabilities, principally comprising of an increase in Long term assets of \$3.0 million, an increase in inventories of \$0.7 million, an increase in deposits and prepayments and other current assets of \$0.8 million, and a decrease in account receivables of \$0.9 million.

Net cash used in operating activities for the year ended December 31, 2023 was \$3.1 million, as compared to \$4.9 million used in operating activities for the year ended December, 2022. For the year ended December 2023, the cash outflow mainly reflected net loss of \$6.1 million with an add-back of loss on disposal of property and equipment of \$0.4 million, share-based payment of \$2.6 million, depreciation and amortization expense of \$1.3 million, impairment of long-lived asset of \$0.1 million, partially offset by an increase in changes in fair value of crypto assets of \$0.8 million, and net changes in our operating assets and liabilities, principally comprising of an increase in crypto assets of \$1.3 million, and a decrease in accounts receivable of \$0.7 million.

Our operating activities are denominated in U.S. dollar for our operations outside of China and in Renminbi (“RMB”) for our research and development activities in China. Our agreements regarding hosting operations in Kazakhstan and Mexico are denominated in U.S. dollars and settled with both the customer and power supplier in U.S. dollars, not in Kazakhstani tenge and in Mexico peso. Thus, our operations are currently not exposed to the fluctuations of the Kazakhstani tenge and the Mexico peso. Our agreements regarding mining revenue in United States are denominated in U.S. dollars.

Investing Activities

Cash inflow in investing activities for the year ended December 31, 2024 was \$1.3 million, as compared to cash outflow \$4.9 million for the year ended December 31, 2023. Cash inflow for the year ended December 31, 2024 mainly reflected the net purchase of cryptocurrencies of \$1.9 million. Cash outflow mainly reflected the purchase of property and equipment of \$0.7 million for mining equipment in Marietta Ohio.

Net cash used in investing activities for the year ended December 31, 2023 was \$4.9 million, as compared to \$6.4 million for the year ended December 31, 2022. Cash outflow for the year ended December 31, 2023 mainly reflected the purchase of property and equipment of \$5 million for our new mining site in Marietta Ohio.

Financing Activities

Net cash provided by financing activities for the year ended December 31, 2024 was \$2.1 million, as compared to \$0.009 million for the year ended December 31, 2023. In 2024, the cash inflow reflected short-term borrowings from the third party. In 2022 we completed the Business Combination and received \$18.5 million.

Capital Expenditures

We made capital expenditures of \$1.3 million, \$5.0 million and \$1.9 million for the year ended December 31, 2024, 2023 and 2022, respectively. Our capital expenditures have been used primarily to purchase of mining machines and mining site investment. We estimate that our capital expenditures will increase moderately in the following two or three years to support the expected growth of its business. We anticipate funding our future capital expenditures primarily with net cash flows from operating activities and financing activities.

Bitcoin holdings as of December 31, 2024: On December 31, 2024, the Company held approximately 67 bitcoin with a carrying value of \$6.3 million. On December 31, 2024, the fair value of a single bitcoin was approximately \$93,765. As a result, the fair market value of the Company's bitcoin holdings on December 31, 2024, was approximately \$6.3 million. The Company expects that its future bitcoin holdings will generally increase but will fluctuate from time to time, both in number of bitcoins held and fair value in US dollars, depending upon operating and market conditions. The Company intends to add to its bitcoin holdings primarily through its production activities and will also continue to sell bitcoin as a means of generating cash to fund monthly operating costs and for general corporate purposes.

Contractual Obligations and Contingencies

From time to time, we may be subject to certain legal proceedings, claims and disputes that arise in the ordinary course of business. Although the outcomes of these legal proceedings cannot be predicted, we do not believe these actions, in the aggregate, will have a material adverse impact on our financial position, results of operations or liquidity. We are not aware of any material pending or threatened claims and litigation since January 1, 2022, and through December 31, 2024.

Below is a table setting forth all our contractual obligations as of December 31, 2024, which consists of operating lease obligations for our operation in United States and office lease and purchase contract:

	Payment Due by Period		
	Total	Less than 1 year	More than 1 year
Contractual Obligations	\$ 2,148,183	\$ 1,841,300	\$ 306,883
Operating lease obligations	\$ 567,752	\$ 81,997	\$ 485,755
Total	\$ 809,650	\$ 275,235	\$ 534,414

Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our own shares and classified as equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Holding Company Structure

We are a holding company with no material operations of our own. As most of our historic operations were conducted through our PRC (excluding Hong Kong) subsidiary and VIE, our ability to pay dividends is primarily dependent on receiving distributions of funds from our PRC subsidiary and VIE. WOFE is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, WOFE and its VIE are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of their registered capital. In addition, WOFE may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at its discretion, and its VIE may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends.

On August 31, 2021, we have terminated control agreements with Beijing Saire Technology Col, Ltd, our variable interest entity, and Beijing SAI's shareholders, as a result our corporate structure no longer contains any VIE structure and our operations are no longer subject to limits and uncertainties applicable to those with a VIE structure. Based on substantially all of our operations in foreign subsidiaries, including United States, our ability to pay future dividends will be primarily dependent on receiving distributions of funds from our subsidiaries.

Quantitative and Qualitative Disclosures about Market Risk

Credit Risk

Our credit risk arises from cash and cash equivalents, accounts receivable, other receivables in deposits, prepayments and other current assets, net and amount due from related parties, stablecoin asset. As of December 31, 2023, and December 31, 2024, all of our cash and cash equivalents were held by major financial institutions located in Mainland China, United States and Singapore. We believe that these financial institutions are of high credit quality. For accounts receivable, we extend credit based on an evaluation of the customer's financial condition, generally without requiring collateral or other security. Further, we review the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate allowances are made for doubtful accounts. In this regard, we consider that our credit risk for accounts receivable is significantly reduced. For amounts due from related parties and other receivables in deposits, prepayments and other current assets, we provide advances to the officers and third parties for daily operation. For stablecoin asset, we monitor the market closely, to ensure the credit risk of stablecoin can be detected when occurred, and adequate impairment is made when necessary. The credit risk is mitigated by ongoing monitoring process of outstanding balance and timely collection when there is no immediate need for such advances.

Customer Concentration Risk

For the year ended December 31, 2024, two customers accounted for 20% and 16% of our total revenues. For the year ended December 31, 2023, three customers accounted for 33%, 23% and 17% of our total revenues. For the year ended December 31, 2022, four customers accounted for 28%, 28%, 20% and 12% of our total revenues. No other customer accounted for more than 10% of our revenues for the years ended December 31, 2024, 2023 and 2022.

As of December 31, 2024, one customer accounted for 100% of the total balance of our accounts receivable. As of December 31, 2023, three customers accounted for 63%, 25% and 11% of the total balance of our accounts receivable. No other customer accounted for more than 10% of our accounts receivable as of December 31, 2024 and 2023.

Liquidity Risk

We are exposed to liquidity risk, which is the risk that we will be unable to provide sufficient capital resources and liquidity to meet our commitments and business needs. Liquidity risk is controlled by the application of financial position analysis and monitoring procedures. When necessary, we may seek loans from financial institutions to obtain short-term funding to meet any liquidity needs.

Foreign Currency Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar, primarily the RMB. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, have negatively affected, and may continue to negatively affect, our revenue and other operating results as expressed in U.S. dollars.

We have experienced and will continue to experience fluctuations in our net income as a result of transaction gains or losses related to revaluing monetary asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. At this time, we have not entered into, but in the future, we may enter into, derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the effect hedging activities would have on our results of operations. Foreign currency exchange net losses of \$0.03 million, \$0.06 million, and \$0.54 million were recognized in 2024, 2023, and 2022, respectively.

Inflation risk

Inflation has not materially affected our results of operations in the past. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 31, 2024, 2023, and 2022 were increases of 0.5%, 0.2%, and 2%, respectively. According to US Inflation Calculator, the annual inflation rate of the United States for 2024, 2023 and 2022 were 3%, 3.4%, and 6.5%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if jurisdictions where we conduct our business experiences higher rates of inflation in the future.

C. Research and Development, Patents and Licenses

Please refer to “Item 4. Information of the Company—B. Business Overview—Research and Development” for details.

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 ended December 31, 2024 that are reasonably likely to have a material and adverse effect on our income, expenses, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions. Please refer to “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Major Factors Affecting Our Results of Operations” for details.

E. Critical Accounting Estimates

Please refer to “Item 5. Operating and Financial Review and Prospects—B. Operating Results—Critical Accounting Policies” for details.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth certain information relating to our directors and executive officers as of the date of this Annual Report. The business address of each of our directors and executive officers is c/o #266A South Bridge Road, #02-01 Singapore (058815).

Directors and Executive Officers	Age	Position/Title
Arthur Lee	31	Chief Executive Officer/Executive Director
Hao Ge	34	Non-executive Director
Heung Ming Henry Wong ⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	56	Independent Director
Haotian Li ⁽¹⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	32	Independent Director
Tianshi Yang ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	35	Independent Director

(1) Chairman of Compensation Committee

(2) Chairman of the Audit Committee

(3) Chairman of Nominating & Corporate Governance Committee

(4) Member of the Audit Committee

(5) Member of the Compensation Committee

(6) Member of the Nominating & Corporate Governance Committee

Executive Officers

Arthur Lee (also referred to as *Risheng Li*) is our Founder and serves as our Chief Executive Officer and a member of the board of directors of SAIHEAT Limited. With an in-depth understanding of energy and computing, he published his first book *Computing: The Future of Computing and Energy* in 2021; and his second book *Energism* is published in 2022. Arthur made the list of Forbes China 30 under 30 in 2021 and is one of the founding members of Forbes Global Alliance (FGA) — a subsidiary of Forbes Media Group, and a membership-based platform for entrepreneurs and company executives. Arthur received EMBA from Shanghai Jiao Tong University.

Directors

Hao Ge serves as a non-executive director. Mr. Ge was the co-founder of KuaiYouHuYu, a mobile gaming company since April 2018. He also serves as the investment advisor to Zhencheng Capital, a venture capital firm specializing in early-stage technology investments since May 2016. Prior to that, he was the CEO of Shanqian Technology from November 2015 to December 2016, a company providing electronic signature management systems. After that, he was the CEO of RenCaiYi, a company providing human resources SaaS management system, from January 2017 to December 2018. During September 2014 to September 2015, he initiated his career at Oracle as a software engineer, where he was involved in developing AIoT cloud service. Mr. Ge holds a bachelor's degree from Illinois Wesleyan University and a master's degree in computer science from Carnegie Mellon University.

Heung Ming Henry Wong serves as our independent director and the chairman of audit committee. Mr. Wong's career spans executive and directorial roles in Nasdaq-listed companies, focusing on financial leadership, corporate governance, and strategic oversight across industries. He currently serves as Chief Financial Officer and Director at Aimei Health Technology Co., Ltd. (Nasdaq: AFJK) since April 2023, while concurrently acting as an Independent Non-Executive Director for E-Home Household Service Holding Ltd (Nasdaq: EJH) since March 2023. He has held key governance roles in Nasdaq-listed companies, including Independent Non-Executive Director at Ostin Technology Group Co., Ltd (Nasdaq: OST) since April 2022 and at Meihua International Medical Technologies Co., Ltd. (Nasdaq: MHUA) from February to June 2022. Previously, he was the Chief Financial Officer of Meten EdtechX Education Group Ltd. (Nasdaq: METX) from June 2020 to March 2021 and has served as a Director of TD Holdings, Inc. (Nasdaq: GLG) since April 2021. Mr. Wong holds a Bachelor's degree in Accountancy from the City University of Hong Kong (1993) and a Master's degree in Electronic Commerce from the Open University of Hong Kong (2003), complemented by professional affiliations as a fellow member of the ACCA and HKICPA, and a member of the Hong Kong Institute of Certified Internal Auditors.

Haotian Li serves as our independent director and the chairman of compensation committee. Currently, he is the CAIO and co-founder of Deconvolute AI, Inc. (2024–present), a software/AI company delivering integrated computational chemistry and AI-driven drug discovery solutions for the biotech and pharma industries. Prior to that, he co-founded and served as CTO of Redesign Science Inc. (2019–2024), a biotech firm providing molecular modeling for early-stage drug discovery in collaboration with pharmaceutical partners. Mr. Haotian Li holds a Master of Philosophy in Computational Chemistry from New York University (2015–2019), he earned a BS in Physics from Zhejiang University (2011–2015) along with a visiting scholar stint at Brown University (2013).

Tianshi Yang serves as our independent director and the chairman of Nominating & Corporate Governance Committee. Mr. Tianshi Yang has more than 12 years of experience in finance as well as management experience in four Nasdaq listed companies. He has been serving as the CSO of Suncar Technology Group (Nasdaq: SDA) since September, 2023, a company engaged as China's largest car insurance platform. From June 2021 to September 2023, Mr. Yang has served as the CFO of TD Holdings, Inc. (NASDAQ: GLG), a company engaged in commodity trading business and supply chain service business in China. From March 2020 to May 2021, Mr. Yang served as the head of investor relation in Aesthetic Medical International Holdings Group Limited (NASDAQ: AIH), a company that provides aesthetic medical service. From January 2019 to February 2020, Mr. Yang served as the financial director of Meten International Education Group Ltd. (NASDAQ: METX), an English language training service provider.

Family Relationships

There are no familial relationships among our directors and executive officers.

B. Compensation

For the year ended December 31, 2024, we and our subsidiaries paid aggregate cash compensation of US\$0.34 million to our directors and executive officers as a group. This amount consisted only of cash and did not include any share-based compensation or benefits in kind. We do not pay or set aside any amounts for pension, retirement or other benefits for our officers and directors.

2021 Equity Incentive Plan

Our board of directors and shareholders approved the adoption of the SAI Incentive Plan, effective as of April 29, 2022. The SAI Incentive Plan provides for the grant of various types of awards, including options, (ii) share appreciation rights, (iii) restricted share awards, (iv) restricted share unit awards, and (v) other awards. The SAI Incentive Plan, through the granting of awards, is intended to help SAI to secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of SAI and any affiliate (as defined under Rule 144), and provide means by which the eligible recipients may benefit from increases in value of the Class A Ordinary Shares. The SAI Incentive Plan will initially be administered by the board of directors of SAI unless and until the board delegates administration of the plan to a committee.

Administration

Our Board will (i) determine from time to time (a) which of the persons eligible under the plan will be granted awards; (b) when and how each award will be granted; (c) what type or combination of types of award will be granted; (d) the provisions of each award granted (which need not be identical or comparable), including the time or times when a person will be permitted to exercise or otherwise receive an issuance of Class A Ordinary Shares or other payment pursuant to an award; (e) the number of Class A Ordinary Shares or cash equivalent with respect to which an award will be granted to each such person; and (f) the fair market value applicable to an award; (ii) construe and interpret the SAI Incentive Plan and awards granted under it, and to establish, amend and revoke rules and regulations for administration of the plan and awards; (iii) settle all controversies regarding the SAI Incentive Plan and awards granted under it; (iv) amend the SAI Incentive Plan in any respect the Board deems necessary or advisable; and (v) exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the plan or awards. The Board may delegate some or all of the administration of the SAI Incentive Plan to a committee and the Board or any such committee may delegate to officers of SAI the authority to do one or both of the following: (i) designate non-officer employees to be recipients of options and/or share appreciation rights and the terms of the awards and (ii) determine the number of Class A Ordinary Shares to be subject to the awards.

Share Reserves

Subject to adjustment as described in the 2021 plan, the maximum number of Class A Ordinary Shares that may be delivered in satisfaction of awards under the 2021 Incentive Plan (the "Share Reserve") is an initial 1,812,663 Class A Ordinary Shares, and subject to such adjustments in the plan, the then-applicable Share Reserve number will automatically increase (but not decrease) on January 1st of each year commencing on January 1, 2022 and ending on (and including) January 1, 2031, in an amount equal to the lesser of (i) three percent (3%) of the total number of Ordinary Shares of SAI outstanding on December 31st of the preceding year and (ii) such fewer number of Class A Ordinary Shares that the Board or any Committee may determine prior to January 1st of a given year; provided, if the effective date of the SAI Incentive Plan is after January 1, 2022, then the initial automatic increase shall occur on January 1, 2023 and the increases shall end on (and including) January 1, 2032. Shares underlying unvested awards that are forfeited or repurchased by SAI will revert to and again become available for issuance under the plan. Any shares reacquired by SAI in satisfaction of tax withholding obligations on an award or as consideration for the exercise or purchase price of an award will again become available for issuance under the plan.

In connection with an entity's merger or consolidation with SAI or SAI's acquisition of an entity's property or stock (including pursuant to the Business Combination Agreement), the Board may grant awards in substitution for any options or other share or share-based awards granted before the merger or consolidation by the acquired entity or its affiliate. Substitute awards will not count against the Share Reserve, except that Class A Ordinary Shares acquired by exercise of substitute incentive stock options will count against the maximum number of Class A Ordinary Shares that may be issued pursuant to the exercise of incentive share options (as set forth above).

The maximum grant date fair value of all compensation granted or paid, as applicable, to any individual for service as a non-employee director with respect to any calendar year is (i) US\$750,000 total in value or (ii) in the event such non-employee director is first appointed or elected to the Board during such calendar year, US\$1,000,000 in total value.

The terms of each award granted under the plan will be set out in an award agreement.

Eligibility

Employees of SAI and its affiliates, members of the Board, consultants and other non-employee service providers of SAI and its affiliates are eligible to receive awards under the SAI Incentive Plan.

Awards

The SAI Incentive Plan provides for the grant of various types of awards, including options, (ii) share appreciation rights, (iii) restricted share awards, (iv) restricted share unit awards, and (v) other awards. Certain awards under the SAI Incentive Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards. All awards under the SAI Incentive Plan will be set forth in award agreements, which will detail all terms and conditions of the awards, including any applicable vesting and payment terms and post-termination exercise limitations. Awards, other than cash awards, generally will be settled in Class A Ordinary Shares, but the Board (or committee thereof) may provide for cash settlement of any award. A brief description of each award type follows.

- Share Options and Share Appreciation Rights (“SARs”). Share options will provide for the purchase of Class A Ordinary Shares in the future at an exercise price set on the grant date. U.S. tax-qualified “incentive stock options” (“ISOs”), by contrast to non-qualified share options, may provide tax deferral beyond exercise and favorable capital gains tax treatment to U.S. taxpayers holding the incentive share options if certain holding period and other requirements of the Code are satisfied. SARs will entitle their holder, upon exercise, to receive from SAI an amount equal to the appreciation of the Class A Ordinary Shares subject to the award between the grant date and the exercise date.

The exercise price per Class A Ordinary Share subject to each share option or SAR will be set by the Board or its committee, provided that, except with respect to certain substitute options granted in connection with a corporate transaction, (i) no option or SAR may be granted to a U.S. participant with an exercise or strike price per Class A Ordinary Share below fair market value on the date of grant, without compliance with Section 409A of the Code or the participant’s consent, (ii) the exercise or strike price of each option or SAR granted to a participant outside of the U.S. shall comply with applicable law, and (iii) an option or SAR may be granted with an exercise or strike price lower than fair market value if such option or SAR is granted pursuant to an assumption or substitution for an option or share appreciation right granted by another company. In the case of ISOs granted to certain significant shareholders, such price will not be less than 110% of the fair market value of a Class A Ordinary Share on the date the option is granted (or the date the option is modified, extended or renewed for purposes of Section 424(h) of the Code). No share option or SAR will be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the applicable award agreement (or five years in the case of ISOs granted to certain significant shareholders).

To exercise a share option or SAR, a participant must provide notice of exercise in accordance with the procedures specified in the applicable award agreement or otherwise provided by SAI and pay the exercise price of the share options by any method of payment permitted by the Board.

Except as explicitly provided otherwise in a participant’s award agreement or other written agreement between a participant and SAI, if a participant’s continuous service with SAI or its affiliate is terminated for “cause,” the participant’s options and SARs (whether vested or unvested) will terminate and be forfeited immediately. In the event of any other termination of service, the participant would have a period following termination of service to exercise his or her vested award (but not later than the expiration date for the award), and any unvested portion would be forfeited without consideration as of the employment termination date.

- Restricted Shares. Our Board may award Restricted shares. Restricted shares are an award of nontransferable Class A Ordinary Shares that remain forfeitable unless and until specified conditions are met, and which may be subject to a purchase price. Unless otherwise determined by the Board, a participant will have voting and other rights as a shareholder of SAI with respect to any Class A Ordinary Shares subject to a restricted share award. Dividends paid on restricted shares may be subject to the same vesting and forfeiture restrictions as apply to the Class A Ordinary Shares subject to the restricted share award to which they relate. Any restricted shares subject to performance-based vesting conditions shall provide that any dividends paid on restricted shares will be subject to the same vesting and forfeiture restrictions as apply to the Class A Ordinary Shares subject to the restricted share award to which they relate.
- Restricted Share Units (“RSUs”). Our Board may award RSUs. RSUs are contractual promises to deliver in the future Class A Ordinary Shares, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the award agreement. RSUs remain forfeitable unless and until specified conditions are met. Dividend equivalents may be credited in respect of the Class A Ordinary Shares underlying the RSU award, as determined by the Board (or a committee thereof) and contained in the RSU award agreement. At the sole discretion of the Board or committee, dividend equivalents may be converted into additional Class A Ordinary Shares covered by the RSU award in such manner as determined by the Board or committee. Any additional Class A Ordinary Shares credited to the RSU award by reason of any dividend equivalents will be subject to all of the same terms and conditions of the underlying RSU award. Dividend equivalents distributed under the Plan will not be counted against the shares available for issuance under the SAI Incentive Plan.

- Other Awards. Our Board may award other share, appreciation or cash-based awards under the SAI Incentive Plan, either alone or in addition to the awards described above. Such other awards may include awards that may vest or may be exercised or cash awards that may vest or become earned and paid contingent on the attainment during a performance period of performance goals or other criteria as the Board (or a committee thereof) may determine.

Vesting

Vesting conditions determined by the Board (or a committee thereof) may apply to each award and may include continued service, performance and/or other conditions. Except as otherwise provided in an award or other written agreement between a participant and SAI or its affiliate, vesting of awards granted under the SAI Incentive Plan will cease upon termination of a participant's service.

Adjustments; Certain Transactions

The Board will have broad discretion to take action under the SAI Incentive Plan, as well as make adjustments to the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of a change in capitalization or other corporate changes, including an extraordinary cash dividend, spin-off, split-off, sale of a subsidiary or business unit, public listing of a subsidiary or other similar transaction. In the event of a Transaction (as defined in the SAI Incentive Plan), except as may otherwise be provided in the award agreement or any other written agreement between SAI or any affiliate and the participant, or unless otherwise expressly provided by the Board at the time of grant of an award, the Board may (i) arrange for the surviving corporation or acquiring corporation to assume or continue the award or to substitute a similar award for the award; (ii) arrange for the assignment of any reacquisition or repurchase rights held by SAI in respect of Class A Ordinary Shares issued pursuant to the award to the surviving corporation or acquiring corporation; (iii) accelerate the vesting, in whole or in part, of the award (and, if applicable, the time at which the award may be exercised) to a date prior to the effective time of such Transaction as the Board determines, with such Award terminating if not exercised (if applicable) at or prior to the effective time of the Transaction; (iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by SAI with respect to the award; (v) cancel or arrange for the cancellation of the Award, to the extent not vested or not exercised prior to the effective time of the Transaction, in exchange for such cash consideration, if any, as the Board, in its sole discretion, may consider appropriate; and (vi) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the participant would have received upon the exercise of the award immediately prior to the effective time of the Transaction, over (B) any exercise price payable by such holder in connection with such exercise.

The Board need not take the same action or actions with respect to all awards or portions thereof or with respect to all participants. The Board may take different actions with respect to the vested and unvested portions of an award.

In addition, upon a Change in Control (as defined in the SAI Incentive Plan), an award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in an award agreement or any other written agreement between SAI or an affiliate and the participant, but in the absence of such provision, no such acceleration will occur without Board action.

Claw-Back Policy

SAI may (i) cause the cancellation of any award, (ii) require reimbursement of any award by a participant, and (iii) effect any other right of recoupment of equity or other compensation provided under the SAI Incentive Plan or otherwise in accordance with policies in effect on the date of grant of the applicable award and/or applicable law. In addition, a participant may be required to repay to SAI certain previously paid compensation, whether provided under the SAI Incentive Plan or an award agreement or otherwise, in accordance with SAI claw-back policies.

Plan Termination

The Board may suspend or terminate the SAI Incentive Plan at any time. Unless terminated sooner by the Board, the Plan will automatically terminate on the day before the tenth anniversary of its effective date; provided, no ISOs will be granted on or after the earlier of (i) the tenth anniversary of the date the SAI Incentive Plan is adopted by the Board, or (ii) the tenth anniversary of the date the SAI Incentive Plan is approved by shareholders. No awards may be granted under the SAI Incentive Plan while the plan is suspended or after it is terminated.

Grants of RSUs to Directors and Executive Officers

The following table sets forth the summary of all outstanding equity awards granted by us to, and held by each of our directors and executive officers as of the date of this Annual Report.

RSUs Granted under 2021 Equity Incentive Plan

Directors and Executive Officers	Position	Class A Ordinary Shares underlying outstanding RSUs	Date of grant
Ian Chow	Chief Financial Officer	*	December 5, 2022
Ian Chow	Chief Financial Officer	*	June 16, 2023
Ian Chow	Chief Financial Officer	*	February 14, 2024

(1) Less than 1% of our outstanding shares.

2023 Equity Incentive Plan

Our board of directors and shareholders approved the adoption of the SAI.TECH Global Corporation 2023 Equity Incentive Plan (the “2023 SAI Incentive Plan”), effective as of September 6, 2023. The 2023 SAI Incentive Plan provides for the grant of various types of awards, including options, (ii) share appreciation rights, (iii) restricted share awards, (iv) restricted share unit awards, and (v) other awards. The 2023 SAI Incentive Plan, through the granting of awards, is intended to help SAI to secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of SAI and any affiliate (as defined under Rule 144), and provide means by which the eligible recipients may benefit from increases in value of the Class A Ordinary Shares. The 2023 SAI Incentive Plan will initially be administered by the board of directors of SAI unless and until the board delegates administration of the plan to a committee.

The 2023 SAI Incentive Plan is substantially similar to the SAI Incentive Plan, except for primarily the Shares Reserve section.

Share Reserves

Subject to adjustment as described in the plan, the maximum number of Class A Ordinary Shares that may be delivered in satisfaction of awards under the 2023 SAI Incentive Plan (the “2023 Share Reserve”) is an initial 1,376,792 Class A Ordinary Shares, and subject to such adjustments in the plan, the then-applicable 2023 Share Reserve number will automatically increase (but not decrease) on January 1st of each year commencing on January 1, 2024 and ending on (and including) January 1, 2033, in an amount equal to six percent (6%) of the total number of Capital Shares (on a fully-diluted basis) outstanding on December 31st of the preceding year; provided, however that the Board or any Committee may act prior to January 1st of a given year to provide that the increase for such year will be a lesser number of Ordinary Shares.

In connection with an entity's merger or consolidation with SAI or SAI's acquisition of an entity's property or stock, the Board may grant awards in substitution for any options or other share or share-based awards granted before the merger or consolidation by the acquired entity or its affiliate. Substitute awards will not count against the 2023 Share Reserve, except that Class A Ordinary Shares acquired by exercise of substitute incentive stock options will count against the maximum number of Class A Ordinary Shares that may be issued pursuant to the exercise of incentive share options (as set forth above).

The maximum grant date fair value of all compensation granted or paid, as applicable, to any individual for service as a non-employee director with respect to any calendar year is (i) US\$750,000 total in value or (ii) in the event such non-employee director is first appointed or elected to the Board during such calendar year, US\$1,000,000 in total value.

The terms of each award granted under the plan will be set out in an award agreement.

Eligibility

Employees of SAI and its affiliates, members of the Board, consultants and other non-employee service providers of SAI and its affiliates are eligible to receive awards under the SAI Incentive Plan.

Awards

The SAI Incentive Plan provides for the grant of various types of awards, including options, (ii) share appreciation rights, (iii) restricted share awards, (iv) restricted share unit awards, and (v) other awards. Certain awards under the SAI Incentive Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards. All awards under the SAI Incentive Plan will be set forth in award agreements, which will detail all terms and conditions of the awards, including any applicable vesting and payment terms and post-termination exercise limitations. Awards, other than cash awards, generally will be settled in Class A Ordinary Shares, but the Board (or committee thereof) may provide for cash settlement of any award. A brief description of each award type follows.

- Share Options and Share Appreciation Rights ("SARs"). Share options will provide for the purchase of Class A Ordinary Shares in the future at an exercise price set on the grant date. U.S. tax-qualified "incentive stock options" ("ISOs"), by contrast to non-qualified share options, may provide tax deferral beyond exercise and favorable capital gains tax treatment to U.S. taxpayers holding the incentive share options if certain holding period and other requirements of the Code are satisfied. SARs will entitle their holder, upon exercise, to receive from SAIH an amount equal to the appreciation of the Class A Ordinary Shares subject to the award between the grant date and the exercise date.

The exercise price per Class A Ordinary Share subject to each share option or SAR will be set by the Board or its committee, provided that, except with respect to certain substitute options granted in connection with a corporate transaction, (i) no option or SAR may be granted to a U.S. participant with an exercise or strike price per Class A Ordinary Share below fair market value on the date of grant, without compliance with Section 409A of the Code or the participant's consent, (ii) the exercise or strike price of each option or SAR granted to a participant outside of the U.S. shall comply with applicable law, and (iii) an option or SAR may be granted with an exercise or strike price lower than fair market value if such option or SAR is granted pursuant to an assumption or substitution for an option or share appreciation right granted by another company. In the case of ISOs granted to certain significant shareholders, such price will not be less than 110% of the fair market value of a Class A Ordinary Share on the date the option is granted (or the date the option is modified, extended or renewed for purposes of Section 424(h) of the Code). No share option or SAR will be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the applicable award agreement (or five years in the case of ISOs granted to certain significant shareholders).

To exercise a share option or SAR, a participant must provide notice of exercise in accordance with the procedures specified in the applicable award agreement or otherwise provided by SAI and pay the exercise price of the share options by any method of payment permitted by the Board.

Except as explicitly provided otherwise in a participant's award agreement or other written agreement between a participant and SAI, if a participant's continuous service with SAI or its affiliate is terminated for "cause," the participant's options and SARs (whether vested or unvested) will terminate and be forfeited immediately. In the event of any other termination of service, the participant would have a period following termination of service to exercise his or her vested award (but not later than the expiration date for the award), and any unvested portion would be forfeited without consideration as of the employment termination date.

- **Restricted Shares.** Our Board may award Restricted shares. Restricted shares are an award of nontransferable Class A Ordinary Shares that remain forfeitable unless and until specified conditions are met, and which may be subject to a purchase price. Unless otherwise determined by the Board, a participant will have voting and other rights as a shareholder of SAI with respect to any Class A Ordinary Shares subject to a restricted share award. Dividends paid on restricted shares may be subject to the same vesting and forfeiture restrictions as apply to the Class A Ordinary Shares subject to the restricted share award to which they relate. Any restricted shares subject to performance-based vesting conditions shall provide that any dividends paid on restricted shares will be subject to the same vesting and forfeiture restrictions as apply to the Class A Ordinary Shares subject to the restricted share award to which they relate.
- **Restricted Share Units ("RSUs").** Our Board may award RSUs. RSUs are contractual promises to deliver in the future Class A Ordinary Shares, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the award agreement. RSUs remain forfeitable unless and until specified conditions are met. Dividend equivalents may be credited in respect of the Class A Ordinary Shares underlying the RSU award, as determined by the Board (or a committee thereof) and contained in the RSU award agreement. At the sole discretion of the Board or committee, dividend equivalents may be converted into additional Class A Ordinary Shares covered by the RSU award in such manner as determined by the Board or committee. Any additional Class A Ordinary Shares credited to the RSU award by reason of any dividend equivalents will be subject to all of the same terms and conditions of the underlying RSU award. Dividend equivalents distributed under the Plan will not be counted against the shares available for issuance under the SAIH Incentive Plan.
- **Other Awards.** Our Board may award other share, appreciation or cash-based awards under the SAI Incentive Plan, either alone or in addition to the awards described above. Such other awards may include awards that may vest or may be exercised or cash awards that may vest or become earned and paid contingent on the attainment during a performance period of performance goals or other criteria as the Board (or a committee thereof) may determine.

Vesting

Vesting conditions determined by the Board (or a committee thereof) may apply to each award and may include continued service, performance and/or other conditions. Except as otherwise provided in an award or other written agreement between a participant and SAIH or its affiliate, vesting of awards granted under the SAIH Incentive Plan will cease upon termination of a participant's service.

Adjustments; Certain Transactions

The Board will have broad discretion to take action under the SAI Incentive Plan, as well as make adjustments to the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of a change in capitalization or other corporate changes, including an extraordinary cash dividend, spin-off, split-off, sale of a subsidiary or business unit, public listing of a subsidiary or other similar transaction. In the event of a Transaction (as defined in the SAIH Incentive Plan), except as may otherwise be provided in the award agreement or any other written agreement between SAIH or any affiliate and the participant, or unless otherwise expressly provided by the Board at the time of grant of an award, the Board may (i) arrange for the surviving corporation or acquiring corporation to assume or continue the award or to substitute a similar award for the award; (ii) arrange for the assignment of any reacquisition or repurchase rights held by SAI in respect of Class A Ordinary Shares issued pursuant to the award to the surviving corporation or acquiring corporation; (iii) accelerate the vesting, in whole or in part, of the award (and, if applicable, the time at which the award may be exercised) to a date prior to the effective time of such Transaction as the Board determines, with such Award terminating if not exercised (if applicable) at or prior to the effective time of the Transaction; (iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by SAI with respect to the award; (v) cancel or arrange for the cancellation of the Award, to the extent not vested or not exercised prior to the effective time of the Transaction, in exchange for such cash consideration, if any, as the Board, in its sole discretion, may consider appropriate; and (vi) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the participant would have received upon the exercise of the award immediately prior to the effective time of the Transaction, over (B) any exercise price payable by such holder in connection with such exercise.

The Board need not take the same action or actions with respect to all awards or portions thereof or with respect to all participants. The Board may take different actions with respect to the vested and unvested portions of an award.

In addition, upon a Change in Control (as defined in the SAI Incentive Plan), an award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in an award agreement or any other written agreement between SAIH or an affiliate and the participant, but in the absence of such provision, no such acceleration will occur without Board action.

Claw-Back Policy

SAI may (i) cause the cancellation of any award, (ii) require reimbursement of any award by a participant, and (iii) effect any other right of recoupment of equity or other compensation provided under the SAI Incentive Plan or otherwise in accordance with policies in effect on the date of grant of the applicable award and/or applicable law. In addition, a participant may be required to repay to SAIH certain previously paid compensation, whether provided under the SAIH Incentive Plan or an award agreement or otherwise, in accordance with SAIH claw-back policies.

Plan Termination

The Board may suspend or terminate the SAI Incentive Plan at any time. Unless terminated sooner by the Board, the Plan will automatically terminate on the day before the tenth anniversary of its effective date; provided, no ISOs will be granted on or after the earlier of (i) the tenth anniversary of the date the SAI Incentive Plan is adopted by the Board, or (ii) the tenth anniversary of the date the SAI Incentive Plan is approved by shareholders. No awards may be granted under the SAIH Incentive Plan while the plan is suspended or after it is terminated.

Grants of RSUs to Directors and Executive Officers

The following table sets forth the summary of all outstanding equity awards granted by us to, and held by each of our directors and executive officers as of the date of this Annual Report.

RSUs Granted under 2023 SAI Incentive Plan

Directors and Executive Officers	Position	Class A Ordinary Shares underlying outstanding RSUs	Date of grant
Ian Chow	Consultant	*	October 24,2024
Jinlong Zhu	Director	*	October 24,2024
Yusen Chen	Director	*	October 24,2024
Hao Ge	Director	*	October 24,2024

(1) Less than 1% of our outstanding shares.

Non-Executive Director Compensation

Our board of directors expects to adopt a non-employee director compensation policy in the near future. Members of our board of directors who are not employees will be eligible for awards pursuant to such policy.

Employment Agreements

We have entered into written employment agreements with our executive officers and certain directors describing their terms of employment. None of our directors has an employment agreement with us that provides for benefits upon termination of service as a director.

Insurance and Indemnification

To the extent permitted under Cayman law, we are empowered to indemnify our directors against any liability they incur by reason of their directorship. We intend to obtain directors' and officers' insurance to insure such persons against certain liabilities in the near future. Insofar as indemnification of liabilities arising under the Securities Act may be permitted to our board, executive officers or persons controlling us pursuant to 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.

C. Board Practices

Board of Directors

Our board of directors is composed of five (5) members. The board of directors is divided into three classes of directors. At each annual general meeting of the Company's shareholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring. The terms of our Class I directors, Class II directors, and Class III directors will expire as follows: (1) 2026, (2) 2024, and (3) 2025.

- the Class I directors includes Risheng Li;
- the Class II directors includes Heung Ming Henry Wong and Haotian Li.
- the Class III directors includes Tianshi Yang and Hao Ge.

Director Independence

Based on information provided by each director concerning his or her background, employment and affiliations, our board of directors has determined that each of Tianshi Yang, Heung Ming Henry Wong, Haotian Li qualify as independent as defined under the listing rules of Nasdaq. In addition, we are subject to the rules of the SEC and Nasdaq relating to the memberships, qualifications and operations of the audit committee and compensation committee, as discussed below.

Board Oversight of Risk

One of the core functions of our board of directors is to be informed oversight of our risk management process. We do not have a standing risk management committee, but rather administer this oversight function directly through our board of directors as a whole, as well as through various standing committees of our board of directors that address risks inherent in their respective areas of oversight.

Committees of the 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 adopted a charter for each of the committees, which comply with the applicable requirements of current Nasdaq rules. The charter of each committee is available on our website. Each committee's members and functions are described below.

Audit Committee

Our audit committee consists of Tianshi Yang, Heung Ming Henry Wong and Haotian Li. Heung Ming Wong is the chairman of our audit committee. All of the members of the Audit Committee currently satisfy the independence requirements and other established criteria of Nasdaq.

The Audit Committee is appointed by the Board of Directors of SAIHEAT Limited to assist the Board in its oversight of the accounting and financial reporting processes of the Company and the Company's compliance with legal and regulatory requirements. To assist the Board in fulfilling its responsibilities, the Committee shall oversee:

- (a) Audits of the financial statements of the Company;
- (b) The integrity of the Company's financial statements;
- (c) The Company's processes relating to risk management and the conduct and systems of internal control over financial reporting and disclosure controls and procedures;
- (d) The qualifications, engagement, compensation, independence and performance of the Company's independent auditor, and the auditor's conduct of the annual audit of the Company's financial statements and any other services provided to the Company;
- (e) The performance of the Company's internal audit function, if any.

Compensation Committee

Tianshi Yang, Heung Ming Henry Wong and Haotian Li serve as members of our compensation committee. Under the Nasdaq listing standards and applicable SEC rules, we have three members of the compensation committee, all of whom must be independent. Tianshi Yang, Heung Ming Henry Wong and Haotian Li are deemed to be independent by our board of directors. Haotian Li serves as chair of the compensation committee.

Our compensation committee is appointed by the Board of Directors of SAIHEAT Limited to assist the Board in overseeing the Company's employee compensation policies and practices. The following responsibilities are set forth as a guide for fulfilling the Committee's purposes in such manner as the Committee determines is appropriate:

- (a) Establish and review the objectives of the Company's management compensation programs and its basic compensation policies;
- (b) Review and approve corporate goals and objectives relevant to the compensation of the CEO and other executive officers, including annual and long-term performance goals and objectives;
- (c) Review and approve, subject to such further action of the Board as the Board shall determine, any employment, compensation, benefit or severance agreement with any executive officer;
- (d) Evaluate the performance of the CEO and other executive officers against corporate goals and objectives including the annual performance objectives;
- (e) Determine and approve the compensation level for other members of senior management of the Company as the Committee or the Board may from time to time determine to be appropriate;
- (f) Review at least annually the compensation of other employees as the Committee determines to be appropriate;

- (g) Review on a periodic basis the Company's management compensation program, and recommend to the Board any appropriate modifications or new plans, programs or policies;
- (h) Review, approve and recommend to the Board the adoption of any equity-based compensation plan for employees of or consultants to the Company and any modification of any such plan;
- (i) Administer the Company's equity-based compensation plans for employees of and consultants to the Company as provided by the terms of such plans, including authorizing all awards made pursuant to such plans;
- (j) Review, approve and recommend to the Board the adoption of any non-equity-based incentive compensation plan for employees of or consultants to the Company and any material modification of any such plan and review at least annually the awards made pursuant to such plans;
- (k) Review, approve and recommend to the Board the adoption of any employee retirement plan, and other material employee benefit plan, and any material modification of any such plan;
- (l) Review (a) the Company's compensation policies and practices for executives, management employees and employees generally to assess whether such policies and practices could lead to excessive risk taking behavior and (b) the manner in which any risks arising out of the Company's compensation policies and practices are monitored and mitigated and adjustments necessary to address changes in the Company's risk profile;
- (m) With respect to any compensation consultant who has been engaged to make determinations or recommendations on the amount or form of executive or director compensation: (a) annually, or from time to time as the Committee deems appropriate, assess whether the work of any such compensation consultant (whether retained by the compensation committee or management) has raised any conflicts of interest; and (b) review the engagement and the nature of any additional services provided by such compensation consultant to the Committee or to management, as well as all remuneration provided to such consultant;
- (n) Annually, or from time to time as the Committee deems appropriate and prior to retention of any advisers to the Committee, assess the independence of compensation consultants, legal and other advisers to the Committee, taking into consideration all relevant factors the Committee deems appropriate to such adviser's independence, including factors specified in the listing standards of Nasdaq;
- (o) Review the form and amount of director compensation at least annually, and make recommendations thereon to the Board;
- (p) Oversee and monitor other compensation related policies and practices of the Company, including: (i) compliance by management with rules regarding equity-based compensation plans for employees and consultants pursuant to the terms of such plans, and the guidelines for issuance of awards as the Board or Committee may establish; and (ii) the Company's recoupment policy and procedures;
- (q) Oversee stockholder communications relating to executive compensation and review and make recommendations with respect to stockholder proposals related to compensation matters; and
- (r) Undertake such other responsibilities or tasks as the Board may delegate or assign to the Committee from time to time.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Tianshi Yang, Heung Ming Wong, Haotian Li, Tianshi Yang is the chairman of our nominating and corporate governance committee.

The purpose of the Nominating and Corporate Governance Committee is to identify individuals qualified to become members of the Board of Directors of SAIHEAT Limited consistent with criteria approved by the Board, to recommend that the Board select the director nominees for the next annual meeting of shareholders, to review and recommend proposed changes to the Company's Corporate Governance Guidelines, as applicable, and to oversee the evaluation of the Board. The nominating and corporate governance committee will be responsible for, among other things:

- (a) Director Nominees. Subject to the right of any third party to designate a director to serve on the Board, including pursuant to the Shareholders' Agreement, the Committee will identify individuals qualified to become members of the Board.
- (b) Criteria for Selecting Directors.
- (c) Periodically review the Board committee structure and, subject to the right of any third party to designate a director to serve on a committee of the Board, including pursuant to the Shareholders' Agreement, recommend to the Board for its approval directors to serve as members and chair of each committee.
- (d) Periodically review the Board's leadership structure to assess whether it is appropriate given the specific characteristics and circumstances of the Company and recommend any proposed changes to the Board.
- (e) Review director changes in position or circumstances.
- (f) Review and reassess the adequacy of the Corporate Governance Guidelines and recommend any proposed changes to the Board for approval.
- (g) Oversee the annual self-evaluations of the Board, its committees, and management.
- (h) Make recommendations to the Board regarding other Corporate Governance Matters.
- (i) Report regularly to the Board of Directors regarding the activities of the committee.
- (j) Committee Self-Evaluation.
- (k) Periodically review and reassess Committee Charters and submit any recommended changes to the Board for its consideration.

Director Nominations

Our nominating and corporate governance committee will screen and recommend to the board of director candidates for nomination for election at the annual meeting of the shareholders. The board of directors will also consider director candidates recommended for nomination by our shareholders during such times as they are seeking proposed nominees to stand for election at the next annual meeting of shareholders (or, if applicable, a special meeting of shareholders). Our shareholders that wish to nominate a director for election to our board of directors should follow the procedures set forth in our amended and restated memorandum and articles of association.

In general, in identifying and evaluating nominees for director, our board of directors considers educational background, diversity of professional experience, knowledge of our business, integrity, professional reputation, independence, character, and the ability to exercise sound judgement, and relevant skills and experience, including financial literacy, and experience in the context of the needs of the board of directors.

Code of Business Conduct

As a public company, we have a responsibility to ensure that our filings with the Securities and Exchange Commission (the "SEC") and other public communications are timely and accurate. We have adopted a code of business conduct (the "code of business conduct") that applies to all directors, executive officers and employees. It is available on our website. Each person agrees that he or she will:

- (a) Engage in honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Produce full, fair, accurate, timely and understandable disclosure in reports and documents that we file with or submit to the Securities and Exchange Commission and in other public communications we make;
- (c) Comply with applicable governmental laws, rules and regulations;
- (d) Promptly report any violations of this Code of Business Ethics to our Chief Legal Officer or Audit Committee;
- (e) Adhere to the Code of Business Ethics, including fair process by which to determine violations; and
- (f) Protect the Company's legitimate business interests, including its assets and corporate opportunities.

Corporate Governance Guidelines

Our board of directors has adopted corporate governance guidelines in accordance with the corporate governance rules of Nasdaq that serve as a flexible framework within which our board of directors and its committees operate. These guidelines cover a number of areas including independence of the Board, separate sessions of independent directors, lead director, director qualification standards and additional selection criteria, director orientation and continuing education, service on other boards, directors who resign or materially change their current positions with their own company or become aware of circumstances that may adversely reflect upon the director or the company, mandatory retirement, director responsibilities, compensation, share ownership, board access to senior management, board access to independent advisors, self-evaluation, frequency of meetings, director attendance, attendance of non-directors, advance receipt of meeting materials, committee matters and succession planning. A copy of our corporate governance guidelines is posted on our website.

D. 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 28, 37 and 34 employees as of December 31, 2022, 2023 and 2024, respectively. The table below sets forth the number of our employees categorized by function as of December 31, 2024.

Function	Number of employees
General management and Administration	19
Sales, Marketing and Operating	4
Technology and Product Development	11
Total	34

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

See “Item 7. Major Shareholders and Related Party Transactions — A. Major Shareholders ” of this Annual Report.

F. Disclosure of a Registrant’s Action to Recover Erroneously Awarded Compensation

Not Applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table shows the beneficial ownership of the Company’s Ordinary Shares as of the date of this Annual Report by:

- each person known to us who will beneficially own more than 5% of the common shares and Ordinary Shares;
- each of our executive officers and directors; and
- all of the executive officers and directors of as a group.

The SEC has defined “beneficial ownership” of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A shareholder is also deemed to be, as of any date, the beneficial owner of all securities that such shareholder has the right to acquire within 60 days after that date through (i) the exercise of any option, warrant or right, (ii) the conversion of a security, (iii) the power to revoke a trust, discretionary account or similar arrangement, or (iv) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, Ordinary Shares or common shares subject to options or other rights (as set forth above) held by that person that are currently exercisable, or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person. Each person named in the table has sole voting and investment power with respect to all of the Ordinary Shares and common shares shown as beneficially owned by such person, except as otherwise indicated in the table or footnotes below.

The percentages of shares beneficially owned is computed, respectively, on the bases of 1,110,907 Class A Ordinary Shares and 642,043 Class B Ordinary Shares currently outstanding and does not include 2,244,493 Class A Ordinary Shares issuable upon the exercise of the IPO Warrants.

	Class A Ordinary Shares	% of Class	Class B Ordinary Shares	% of Class	Voting Power**
Executive Officers and Directors ⁽¹⁾:					
Risheng Li ⁽²⁾	—	—	642,043	100%	85.9%
Hao Ge	—	—	—	—	—
Heung Ming Henry Wong	—	—	—	—	—
Haotian Li	—	—	—	—	—
Tianshi Yang	—	—	—	—	—
All directors and executive officers as a group (6 individuals)	—	—	642,043	100%	86.6%
Five Percent or More Holders:					
Energy Science Artist Holding Limited ⁽²⁾	—	—	642,043	100%	86.6%
Tao Huang ⁽³⁾	87,369	5.15%	—	—	1.2%

* Less than 1%.

** For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all our Class A Ordinary Shares and Class B Ordinary Shares as a single class. Each Class A Ordinary Share is entitled to one vote per share and each Class B Ordinary Share is entitled to ten votes per share on all matters submitted. Our Class B Ordinary Shares are convertible at any time at the option of the holder thereof into Class A Ordinary Shares on a one-for-one basis. Our Class A Ordinary Shares are not convertible into Class B Ordinary Shares under any circumstances.

(1) The business address of the directors and executive officers of SAIH is c/o #266A South Bridge Road, #02-01 Singapore (058815).

(2) Represents shares beneficially owned indirectly by Risheng Li, and owned directly by Energy Science Artist Holding Limited.

(3) The address of Tao Huang is c/o No.1 Lanqing Road, Haidian District, Beijing, China, 100097.

To our knowledge and based on our review of our shareholders list as of April 21, 2025, 902,036 of our outstanding Class A Ordinary Shares were held by seven record holders in the United States. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

B. Related Party Transactions

TradeUP Related Party Transactions

TradeUP Class B Ordinary Shares

On February 1, 2021, TradeUP Global Sponsor LLC, a Cayman Islands limited liability company (the “Sponsor”), acquired 1,150,000 TradeUP Class B Ordinary Shares for an aggregate purchase price of \$25,000. On May 3, 2021, the Sponsor transferred an aggregate of 60,000 TradeUP Class B Ordinary Shares to TradeUP’s independent directors at the same price originally paid for such shares. On May 3, 2021, the Sponsor converted 850,000 TradeUP Class B Ordinary Shares into 850,000 TradeUP Class A Ordinary Shares. On May 12, 2021, the Sponsor forfeited 27,753 TradeUP Class B Ordinary Shares for no consideration as a result of the TradeUP IPO underwriters’ partial exercise of their over-allotment option.

The Sponsor has agreed not to transfer, assign or sell 50% of its TradeUP Class B Ordinary Shares until the earlier to occur of: (1) six months after the Closing; and (2) subsequent to the Closing (a) the date on which TradeUP completes a liquidation, merger, share exchange or other similar transaction that results in all of TradeUP shareholders having the right to exchange their TradeUP Class A Ordinary Shares for cash, securities or other property or (b) if the closing price of TradeUP’s Class A Ordinary Shares equals or exceeds \$12.50 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing after TradeUP’s initial business combination. The Sponsor may not transfer, assign or sell the remaining 50% of TradeUP Class B Ordinary Shares until six months after the Closing.

Upon the effective date of Business Combination, all TradeUP Class B Ordinary shares were effectively converted into Class A Ordinary Shares, subject to lock-up agreement described below as “*TradeUP Lock-Up Agreement*”.

Private Shares

The Sponsor purchased an aggregate of 224,780 private shares, at a price of \$10.00 per share, or \$2,247,800 in the aggregate, in private placements that occurred simultaneously with the closing of the TradeUP IPO and the sale of additional units pursuant to the underwriters’ partial exercise of their over-allotment option. The private shares may not, subject to certain limited exceptions, be transferred, assigned or sold by the holder until 30 days after the completion of the Business Combination.

Sponsor Loan

On February 2, 2021, the Sponsor agreed to lend TradeUP up to \$300,000 to be used for a portion of the expenses of the TradeUP IPO. This loan was non-interest bearing, unsecured and was due at the earlier of (1) June 30, 2021 or (2) the closing of the TradeUP IPO. The outstanding balance under the loan was repaid at the closing of the TradeUP IPO on May 3, 2021.

Working Capital Loans

In order to finance transaction costs in connection with an intended initial Business Combination, the Sponsor, or an affiliate of the Sponsor or certain of TradeUP's directors and officers may, but are not obligated to, lend TradeUP funds as may be required. As of December 31, 2023, all outstanding balances under the working capital loans have been repaid.

Certain Agreements Related to the Business Combination

In connection with the Business Combination, certain agreements were entered into pursuant to the Business Combination Agreement. These agreements include:

Support Agreements

In connection with the execution of the Business Combination Agreement, TradeUP, the TradeUP initial shareholders, SAI, the SAI Founder and certain shareholders of SAI entered into transaction support agreements, pursuant to which, among other things, each agreed to vote at any meeting of TradeUP (in the case of the TradeUP initial shareholders) or SAI (in the case of SAI shareholders) in favor of the Business Combination Agreement and the consummation of the transactions contemplated thereby.

TradeUP Support Agreement

In connection with the execution of the Business Combination Agreement, TradeUP, the TradeUP initial shareholders and Old SAI entered into the TradeUP Support Agreement. Under the TradeUP Support Agreement, the TradeUP initial shareholders, among other things, agreed to: (1) appear at any meeting of TradeUP shareholders for purposes of determining a quorum; (2) vote their respective TradeUP Class A Ordinary Shares in favor of the Business Combination Proposal, the Articles Amendment Proposal and the Share Issuance Proposal; (3) not to transfer their respective TradeUP Class A Ordinary Shares prior to the termination of the TradeUP Support Agreement; (4) waive anti-dilution rights under the current memorandum and articles of association (as holders of TradeUP Class B Ordinary Shares); (5) waive dissenter's rights under Section 238 of the Companies Act; and (6) not to redeem any of their respective TradeUP Class A Ordinary Shares.

SAI Support Agreement

In connection with the execution of the Business Combination Agreement, TradeUP, the Sponsor, Old SAI and certain Old SAI shareholders entered into the SAI Support Agreement. Under the SAI Support Agreement, the Old SAI shareholders, among other things, agreed to: (1) appear at any meeting of Old SAI shareholders for purposes of determining a quorum; (2) vote their respective Ordinary Shares in favor of the Business Combination Agreement and the transactions contemplated thereby, including the merger; (3) not to transfer their respective TradeUP Class A Ordinary Shares prior to the termination of the SAI Support Agreement; and (4) waive dissenter's rights under Section 238 of the Companies Act.

SAI Shareholder Lock-Up Agreement

The SAI Shareholder Lock-Up Agreement contains certain restrictions on transfer with respect to the Class A Ordinary Shares received by SAI shareholders pursuant to the Business Combination Agreement other than SAI shareholders subject to the SAI Affiliate Lock-Up Agreement. Such restrictions began at Closing and end on the six-month anniversary of Closing. As of October 29, 2023, the restrictions on transfers, as specified in the SAI Shareholder Lock-Up Agreement, expired.

Other Relationships

Except as otherwise disclosed in this Annual Report, no compensation of any kind, including finder's and consulting fees, were paid by TradeUP to the Sponsor, TradeUP's directors, officers or any of their respective affiliates, for services rendered prior to or in connection with the completion of an initial business combination. However, these individuals were reimbursed for any out-of-pocket expenses incurred in connection with activities on TradeUP's behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. The Audit Committee reviewed on a quarterly basis all payments that were made to the Sponsor, directors, officers or their respective affiliates.

Currently, members of TradeUP's management team who remained with TradeUP (currently SAIH) may be paid consulting, management or other fees from us with any and all amounts being fully disclosed to shareholders, to the extent then known.

Related Person Transactions Policy Following the Business Combination

Indemnification Agreements

On the Closing Date, the Company entered into indemnity agreements with each of its directors and officers (the "Indemnity Agreements"), undertaking to indemnify them to the fullest extent permitted by law on the terms set forth therein. This indemnification is limited to events where the director or officer acted in good faith and in a manner the relevant director or officer reasonably believed to be in and/or not opposed to the best interests of SAI, and the relevant director or officer had no reasonable cause to believe that his or her conduct was unlawful.

The foregoing summary of the Indemnity Agreements does not purport to be complete and is subject to and qualified in its entirety by reference to the form of Indemnity Agreement, a copy of which is filed as Exhibit 4.13 of this Report and is incorporated herein by reference.

Policies and Procedures for Related Person Transactions

Effective upon the closing date, the board of directors of SAI adopted a written related person transaction policy that set forth the following policies and procedures for the review and approval or ratification of related person transactions. A “related person transaction” is a transaction, arrangement or relationship in which SAI or any of its subsidiaries was, is or will be a participant, the amount of which involved exceeds \$120,000, and in which any related person had, has or will have a direct or indirect material interest. A “related person” means:

- any person who is, or at any time during the applicable period was, one of SAI’s executive officers or directors;
- any person who is known by SAI to be the beneficial owner of more than 5% of SAI’s voting securities;
- any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother in-law or sister-in-law of a director, executive officer or a beneficial owner of more than 5% of SAI’s voting securities, and any person (other than a tenant or employee) sharing the household of such director, executive officer or beneficial owner of more than 5% of SAI’s voting securities; and
- any firm, corporation or other entity in which any of the foregoing persons is a partner or principal, or in a similar position, or in which such person has a 10% or greater beneficial ownership interest.

SAI have policies and procedures designed to minimize potential conflicts of interest arising from any dealings it may have with its affiliates and to provide appropriate procedures for the disclosure of any real or potential conflicts of interest that may exist from time to time. Specifically, pursuant to its audit committee charter, the audit committee have the responsibility to review related party transactions.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Statements

See “*Item 18. Financial Statements*” of this Report for consolidated financial statements and other financial information.

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 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. Cash dividends on our Ordinary Shares, if any, will be paid in U.S. dollars.

B. Significant Changes

A discussion of the significant changes in our business can be found under “*Item 4. Information on the Company — A. History and Development of the Company*” and “*Item 4. Information on the Company — B. Business Overview*” of this Report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

The Class A Ordinary Shares and IPO Warrants are listed on the Nasdaq Capital Market under the symbols “SAIH” and “SAIHTW”, respectively. A description of the Class A Ordinary Shares and IPO Warrants is included in Exhibit 2.2 to this Annual Report. For additional information, please see “— *C. Markets.*”

B. Plan of Distribution

Not applicable.

C. Markets

Our Class A Ordinary Shares and IPO Warrants are listed on the Nasdaq Capital Market under the symbols “SAIH” and “SAIHTW”, respectively.

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

A copy of our Amended and Restated Memorandum and Articles of Association is attached as Exhibit 1.1 to this Annual Report.

C. Material Contracts

Below are material contracts other than in the ordinary course of business and other than those described in “*Item 4. Information on the Company,*” “*Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions*” or elsewhere in this Annual Report.

D. Exchange Controls

There is no exchange control legislation or regulation in the Cayman Islands, except by way of such as freezing of funds of, and/or prohibition of new investments in, certain jurisdictions subject to international sanction.

E. Taxation

The following discussion of United States federal income tax consequences of an investment in our securities is based upon laws and relevant interpretations thereof in effect as of the date of this Annual Report, all of which are subject to change or differing interpretation, possibly with retroactive effect. This summary does not deal with all possible tax consequences relating to an investment in our securities, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the United States.

U.S. Federal Income Tax Considerations of Class A Ordinary Shares and IPO Warrants

Taxation of Dividends and Other Distributions on Class A Ordinary Shares

Subject to the PFIC rules discussed below, if we make a distribution of cash or other property to a U.S. Holder of Class A Ordinary Shares, such distributions will generally be treated as a dividend for U.S. federal income tax purposes to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such dividends will be taxable to a corporate U.S. Holder at regular rates and will not be eligible for the dividends-received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations.

Distributions in excess of such earnings and profits will generally be applied against and reduce the U.S. Holder's basis in its Class A Ordinary Shares (but not below zero) and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of such Class A Ordinary Shares.

With respect to non-corporate U.S. Holders, dividends will generally be taxed at preferential long-term capital gains rates only if Class A Ordinary Shares are readily tradable on an established securities market in the United States (such as Nasdaq) and certain other requirements are met, including that we are not treated as a PFIC during the taxable year in which the dividend is paid or in the previous year. U.S. Holders should consult their tax advisors regarding the availability of the lower rate for any dividends paid with respect to our Class A Ordinary Shares.

Sale, Exchange, Redemption or Other Taxable Disposition of our Securities

Subject to the PFIC rules discussed below, upon a sale or other taxable disposition of our securities, a U.S. Holder will generally recognize capital gain or loss. The amount of gain or loss recognized will generally be equal to the difference between (i) the sum of the amount of cash and the fair market value of any property received in such disposition and (ii) the U.S. Holder's adjusted tax basis in our securities.

Under tax law currently in effect long-term capital gains recognized by non-corporate U.S. Holders are generally subject to U.S. federal income tax at a reduced rate of tax. Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder's holding period for the Ordinary Shares or warrants exceeds one year. The deductibility of capital losses is subject to various limitations.

Exercise or Lapse of a Warrant

Subject to the PFIC rules discussed below, a U.S. Holder will generally not recognize gain or loss upon the exercise of a warrant for cash. A Class A Ordinary Share acquired pursuant to the exercise of a warrant for cash will generally have a tax basis equal to the U.S. Holder's tax basis in the warrant, increased by the amount paid to exercise the warrant.

It is unclear whether a U.S. Holder's holding period for the Class A Ordinary Share will commence on the date of exercise of the warrant or the day following the date of exercise of the warrant; in either case, the holding period will not include the period during which the U.S. Holder held the warrant. If a warrant is allowed to lapse unexercised, a U.S. Holder will generally recognize a capital loss equal to such holder's tax basis in the warrant.

Because of the absence of authority specifically addressing the treatment of a cashless exercise of warrants under U.S. federal income tax law, the treatment of such a cashless exercise is unclear. A cashless exercise may be tax-free, either because the exercise is not a realization event or because the exercise is treated as a recapitalization for U.S. federal income tax purposes. Alternatively, a cashless exercise could be treated as a taxable exchange in which gain or loss would be recognized.

In either tax-free situation, a U.S. Holder's tax basis in the Class A Ordinary Shares received would generally equal the U.S. Holder's tax basis in the warrants. If a cashless exercise is not treated as a realization event, it is unclear whether a U.S. Holder's holding period for the Class A Ordinary Shares received on exercise will be treated as commencing on the date of exercise of the warrant or the following day. If a cashless exercise is treated as a recapitalization, the holding period of the Class A Ordinary Shares received will include the holding period of the warrants.

If a cashless exercise is treated as a taxable exchange, a U.S. Holder could be deemed to have surrendered warrants with an aggregate fair market value equal to the exercise price for the total number of warrants to be exercised. In this case, the U.S. Holder would recognize capital gain or loss in an amount equal to the difference between the fair market value of the warrants deemed surrendered and the U.S. Holder's tax basis in such warrants. A U.S. Holder's tax basis in the Ordinary Shares received would equal the sum of the U.S. Holder's initial investment in the warrants exercised (i.e., the U.S. Holder's purchase price for the warrant (or the portion of such U.S. Holder's purchase price for units that is allocated to the warrant) and the exercise price of such warrants). It is unclear whether a U.S. Holder's holding period for the Ordinary Shares would commence on the date of exercise of the warrant or the day following the date of exercise of the warrant.

Due to the absence of authority on the U.S. federal income tax treatment of a cashless exercise, there can be no assurance which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of a cashless exercise.

Subject to the PFIC rules described below, if we redeem IPO Warrants for cash pursuant to the redemption provisions of the IPO Warrants or if we purchase IPO Warrants in an open market transaction, such redemption or purchase will generally be treated as a taxable disposition to the U.S. Holder, taxed as described above under "*— Sale, Exchange, Redemption or Other Taxable Disposition of our Securities.*"

Passive Foreign Investment Company Considerations

Certain adverse U.S. federal income tax consequences could apply to a U.S. holder if we, or any of our subsidiaries, is treated as a PFIC for any taxable year during which the U.S. Holder holds our securities. A non-U.S. corporation will be classified as a PFIC for any taxable year (a) if at least 75% of its gross income consists of passive income, such as dividends, interest, rents and royalties (except for rents and royalties earned in the active conduct of a trade or business), and gains on the disposition of property that produces such income, or (b) if at least 50% of the average value of its assets (determined on the basis of a quarterly average) is attributable to assets that produce, or are held for the production of, passive income (including for this purpose its pro rata share of the gross income and assets of any entity in which it is considered to own at least 25% of the interest, by value).

Whether we or any of our subsidiaries is treated as a PFIC for U.S. federal income tax purposes is a factual determination that must be made annually at the close of each taxable year and, thus, is subject to significant uncertainty. Among other factors, fluctuations in the market price of Class A Ordinary Shares how quickly we use liquid assets and cash may influence whether we or any of our subsidiaries is treated as PFIC. Accordingly, we are unable to determine whether we or any of our subsidiaries will be treated as a PFIC for the taxable year of the Business Combination or for future taxable years, and there can be no assurance that we or any of our subsidiaries will not be treated as a PFIC for any taxable year. Moreover, we do not expect to provide a PFIC annual information statement for 2022 or going forward.

If we were characterized as a PFIC for any taxable year, U.S. Holders of our securities would suffer adverse tax consequences. These consequences may include having gains realized on the disposition of our securities treated as ordinary income rather than capital gains and being subject to punitive interest charges on certain dividends and on the proceeds of the sale or other disposition of our securities. U.S. Holders would also be subject to annual information reporting requirements. In addition, if we were a PFIC in a taxable year in which we paid a dividend or the prior taxable year, such dividends would not be eligible to be taxed at the reduced rates applicable to qualified dividend income (as discussed above). Certain elections (including a mark-to-market election) may be available to U.S. Holders to mitigate some of the adverse tax consequences resulting from PFIC treatment. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to their ownership of our securities.

Cayman Islands Tax Considerations

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the securities of us. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under Existing Cayman Islands Laws

Payments of dividends and capital in respect of our securities will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the securities nor will gains derived from the disposal of the securities be subject to Cayman Islands income or corporate tax. The Cayman Islands currently has no income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the warrants. An instrument of transfer in respect of a warrant is stampable if executed in or brought into the Cayman Islands.

No stamp duty is payable in respect of the issue of Ordinary Shares or on an instrument of transfer in respect of such shares.

We have been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for and received an undertaking from the Financial Secretary of the Cayman Islands substantially in the following form:

The Tax Concessions Act (As Revised) Undertaking as to Tax Concessions

In accordance with the provision of The Tax Concessions Act (As Revised), the following undertaking is hereby given to us (the “Company”):

- (a) That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) On or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or part, of any relevant payment as defined in the Tax Concessions Act (As Revised).

These concessions shall be for a period of 20 years from the 29th of January 2021.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information we have filed electronically with the SEC. As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We also make available on our website, free of charge, our annual reports on Form 20-F and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is <https://ir.saiheat.com/>. The reference to our website is an inactive textual reference only, and information contained therein or connected thereto is not incorporated into this Report.

I. Subsidiary Information

See the section titled “*Information on the Company — D. Organizational Structure*” in this Report.

J. Annual Report to Security Holders.

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credit Risk

Our credit risk arises from cash and cash equivalents, accounts receivable, other receivables in deposits, prepayments and other current assets, net and amount due from related parties, stablecoin asset. As of December 31, 2023, and December 31, 2024, all of our cash and cash equivalents were held by major financial institutions located in Mainland China, United States and Singapore. We believe that these financial institutions are of high credit quality. For accounts receivable, we extend credit based on an evaluation of the customer's financial condition, generally without requiring collateral or other security. Further, we review the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate allowances are made for doubtful accounts. In this regard, we consider that our credit risk for accounts receivable is significantly reduced. For amounts due from related parties and other receivables in deposits, prepayments and other current assets, we provide advances to the officers and third parties for daily operation. For stablecoin asset, we monitor the market closely, to ensure the credit risk of stablecoin can be detected when occurred, and adequate impairment is made when necessary. The credit risk is mitigated by ongoing monitoring process of outstanding balance and timely collection when there is no immediate need for such advances.

Customer Concentration Risk

For the year ended December 31, 2024, two customers accounted for 20% and 16% of our total revenues. For the year ended December 31, 2023, three customers accounted for 33%, 23% and 17% of our total revenues. For the year ended December 31, 2022, four customers accounted for 28%, 28%, 20% and 12% of our total revenues. No other customer accounted for more than 10% of our revenues for the years ended December 31, 2024, 2023 and 2022.

As of December 31, 2024, one customer accounted for 100% of the total balance of our accounts receivable. As of December 31, 2023, three customers accounted for 63%, 25% and 11% of the total balance of our accounts receivable. No other customer accounted for more than 10% of our accounts receivable as of December 31, 2024 and 2023.

Liquidity Risk

We are exposed to liquidity risk, which is the risk that we will be unable to provide sufficient capital resources and liquidity to meet our commitments and business needs. Liquidity risk is controlled by the application of financial position analysis and monitoring procedures. When necessary, we may seek loans from financial institutions to obtain short-term funding to meet any liquidity needs.

Foreign Currency Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar, primarily the RMB. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, have negatively affected, and may continue to negatively affect, our revenue and other operating results as expressed in U.S. dollars.

We have experienced and will continue to experience fluctuations in our net income as a result of transaction gains or losses related to revaluing monetary asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. At this time, we have not entered into, but in the future, we may enter into, derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the effect hedging activities would have on our results of operations. Foreign currency exchange net losses of \$0.03 million, \$0.06 million, and \$0.54 million were recognized in 2024, 2023, and 2022, respectively.

Inflation risk

Inflation has not materially affected our results of operations in the past. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 31, 2024, 2023, and 2022 were increases of 0.5%, 0.2%, and 2%, respectively. According to US Inflation Calculator, the annual inflation rate of the United States for 2024, 2023 and 2022 were 3%, 3.4%, and 6.5%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if jurisdictions where we conduct our business experiences higher rates of inflation in the future.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

The Company has 2,244,493 Warrants (the "Warrant") to purchase Class A Ordinary Shares at an exercise price of \$172.5 per share issued and outstanding. If all of our IPO Warrants were exercised in full for cash, we would receive an aggregate of approximately \$387,173,662.50. The warrants will expire five years after the Closing, or earlier upon redemption or liquidation.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

Material Modifications to the Rights of Security Holders

None.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our control objectives.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act, as amended, for our Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles and 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 a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and 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.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, management assessed the effectiveness of our internal control over financial reporting as of December 31, 2024 using criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, management concluded that the internal control over financial reporting was effective as of December 31, 2024 based on the criteria established in this Internal Control-Integrated Framework (2013).

This Annual Report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this Annual Report.

Changes in Internal Control over Financial Reporting

Save as disclosed elsewhere in this Annual Report, there were no significant changes in our internal control over financial reporting that occurred during the year ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation of the Material Weaknesses in Internal Control

As of the date of this Annual Report, we have taken certain remedial measures to remedy the material weaknesses in our internal control over financial reporting and governance previously identified by us and our independent registered public accounting firms in connection with the audits of our consolidated financial statements as of and for the years ended December 31, 2024.

The material weaknesses that have been identified relate to: (i) lack of the key monitoring mechanisms such as internal audit department to oversee and monitor Company's risk management, business strategies and financial reporting procedures. (ii) lack of formal financial closing policies and effective control over periodic financial closing procedures which resulted into management's late adjustments at period ends.

To remediate the material weakness identified in internal control over financial reporting, we have begun, and will continue to : (a) continuing our efforts to set up the internal audit department, and enhance the effectiveness of the internal control system; (b) continuing our efforts to implement necessary review and controls at related levels and all important documents and contracts (including all of its subsidiaries) will be submitted to the office of its Chief Administrative Officer and Chief Financial Officer for retention and review, and (c) hire qualified consultant to assess Sarbanes-Oxley Act compliance readiness, to assess where we can improve our overall internal control over financial reporting function, and to assist us in implementing improvements where necessary.

ITEM 16. [Reserved]

ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee consists of Tianshi Yang, Heung Ming Henry Wong and Haotian Li, and is chaired by Heung Ming Wong. Our board of directors has determined that each member of the audit committee is "independent directors" within the meaning of Nasdaq Stock Market Rule 5605(a)(2) and meet the criteria for independence set forth in Rule 10A-3(b) of the Exchange Act. Heung Ming Wong meets the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC.

ITEM 16.B. CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Our Code of Business Conduct and Ethics is available on our website (<https://ir.saiheat.com/governance/documents-charters>). We intend to disclose any amendment to the code, or any waivers of its requirements, in our Annual Report on Form 20-F.

ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following is a summary of fees paid or to be paid to Audit Alliance LLP, for services rendered.

Audit Fees. 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 Audit Alliance LLP in connection with regulatory filings. The aggregate fees billed by Audit Alliance LLP for professional services rendered for the audit of our annual financial statements, review of the financial information included in our Forms 6-K for the respective periods and other required filings with the SEC for the period from May 30, 2024 through December 31, 2024 totaled \$281,000. The above amounts include interim procedures and audit fees, as well as attendance at audit committee meetings. The audit fees were \$273,000 and \$198,550 for the year ended December 31, 2024 and 2023, respectively.

Audit-Related Fees. Audit-related services 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." We did not pay Audit Alliance LLP for professional services rendered for audit related fees for the period from May 30, 2024 through December 31, 2024. The audit-related fees were \$44,880 and \$16,550 for the year ended December 31, 2024 and 2023, respectively.

Tax Fees. We did not pay Audit Alliance LLP for tax planning and tax advice for the period from May 30, 2022 through December 31, 2024.

All Other Fees. We did not pay Audit Alliance LLP for other services for the period from May 30, 2022 through December 31, 2024.

Our audit committee is responsible for the oversight of our independent accountants' work. The policy of our audit committee is to pre-approve all audit and non-audit services provided by Audit Alliance LLP, including audit services, audit-related services, tax services and other services, as described above.

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

Not applicable.

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

None.

ITEM 16.F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not Applicable.

ITEM 16.G. CORPORATE GOVERNANCE

SAIH is a foreign private issuer within the meaning of the rules under the Exchange Act and, as such, we are permitted to follow the corporate governance practices of our home country, the Cayman Islands, in lieu of the corporate governance standards of Nasdaq applicable to U.S. domestic companies. For example, we are not required to have a majority of the board consisting of independent directors nor have a compensation committee or a nominating and corporate governance committee consisting entirely of independent directors. While we do not currently intend to follow home country practice in lieu of the above requirements, we could decide in the future to follow home country practice and our board of directors could make such a decision to depart from such requirements by ordinary resolution. As a result, our shareholders may not have the same protection afforded to shareholders of U.S. domestic companies that are subject to Nasdaq corporate governance requirements. As a foreign private issuer, we are also subject to reduced disclosure requirements and are exempt from certain provisions of the U.S. securities rules and regulations applicable to U.S. domestic issuers such as the rules regulating solicitation of proxies and certain insider reporting and short-swing profit rules.

As a result, our shareholders may be afforded less protection than they otherwise would under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers. We may utilize these exemptions for as long as we continue to qualify as a foreign private issuer.

Other than the home country practice described above, we are not aware of any significant differences between our corporate governance practices and those followed by U.S. domestic companies under the Nasdaq corporate governance listing standards.

ITEM 16.H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16.I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION

Not applicable.

ITEM 16.J. INSIDER TRADING POLICIES

Our board of directors has adopted insider trading policies and procedures governing the purchase, sale, and other dispositions of our securities by directors, senior management, and employees that are reasonably designed to promote compliance with applicable insider trading laws, rules, and regulations, and any listing standards applicable to us.

ITEM 16.K. CYBERSECURITY

Cybersecurity Risk Management and Strategy

To maintain a consistently high level of service experience for our clients, preserve the confidentiality, integrity, and availability of our information systems, safeguard our assets, data, intellectual property, and network infrastructure, while meeting regulatory requirements, it is crucial to effectively manage cybersecurity risks. To achieve this, we have implemented a comprehensive cybersecurity risk management framework, which is integrated in our overall enterprise risk management system and processes and is internally managed.

Our dedicated cybersecurity staff is tasked with assessing, identifying and managing risks related to cybersecurity threats and, under the leadership of our chief technology officer, is responsible for:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, services, and our broader enterprise IT environment;
- development of risk-based action plans to manage identified vulnerabilities and implementation of new protocols and infrastructure improvements;
- cybersecurity incident investigations;

- monitoring threats to sensitive data and unauthorized access to our systems;
- secure access control measures applied to critical IT systems, equipment and devices, designed to prevent unauthorized users, processes, and devices from accessing IT systems and data;
- developing and executing protocols to ensure that information regarding cybersecurity incidents is promptly shared with the board of directors, as appropriate, to allow for risk and materiality assessments and to consider disclosure and notice requirements; and
- developing and implementing training on cybersecurity, information security and threat awareness.

There were no cybersecurity incidents during the year ended December 31, 2024, that resulted in an interruption to our operations, known losses of any critical data or otherwise had a material impact on our strategy, financial condition or results of operations. However, the scope and impact of any future incident cannot be predicted. See “Risk Factors” for more information on how material cybersecurity attacks may impact our business.

Governance

Our board of directors acknowledges the significance of robust cybersecurity management programs and actively participates in overseeing and reviewing our cybersecurity risk profile and exposures.

The board of directors receives reports on cybersecurity risks, including recent legislative developments and evolving standards on cybersecurity, key issues, priorities and challenges in our cybersecurity management, and relevant data or metrics. The board of directors also receives prompt and timely information regarding any significant cybersecurity incidents, as well as ongoing updates regarding any such incidents. Furthermore, in the event of any significant updates or adjustments to our cybersecurity related policies, the chief operating officer will present them to the board of directors for their review and approval.

Our chief operating officer leads the overall assessment, identification and management of risks related to cybersecurity threats. He works collaboratively within our group and receives regular briefings on cybersecurity matters, such as report on cybersecurity incidents and responses and remedial measures. Our chief operating officer has 22 years of relevant experience in risk management, cybersecurity and information technology.

Our chief operating officer and their dedicated staff are responsible for the daily management of our cybersecurity efforts. This includes updates and refinement of cybersecurity policies, execution and management of cybersecurity measures, and the preparation of regular reports on cybersecurity execution. Their primary focus is to consistently update our cybersecurity programs and mitigation strategies, ensuring they align with industry best practices and procedures.

PART III

ITEM 17. FINANCIAL STATEMENTS

See “Item 18. Financial Statements” of this Report.

ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements are included at the end of this Annual Report.

ITEM 19. EXHIBITS

Exhibit no	Description
1.1	<u>Amended and Restated Memorandum and Articles of Association of the Company (incorporated herein by reference to Exhibit 1.1 to Form 6-K (File No. 001-40368) as filed with the Securities and Exchange Commission on May 6, 2022).</u>
2.1	<u>Warrant Agreement, dated April 28, 2021, between TradeUP Global Corporation and VStock Transfer, LLC, as warrant agent (incorporated herein by reference to Exhibit 4.1 to Form 8-K/A (File No. 001-40368) as filed with the Securities and Exchange Commission on May 6, 2021).</u>
2.2	<u>Description of Securities (incorporated herein by reference to Exhibit 2.2 to Form 20-F (001-40368) as filed with the Securities and Exchange Commission on April 19, 2024).</u>
4.1	<u>Business Combination Agreement, dated as of September 27, 2021, by and among TradeUP Global Corporation, TGC Merger Sub and SAITECH Limited (incorporated herein by reference to Exhibit 2.1 to Form F-4/A (File No. 333-260418) as filed with the Securities and Exchange Commission on March 29, 2022).</u>
4.2	<u>Amendment to Business Combination Agreement, dated as of October 20, 2021, by and among TradeUP Global Corporation, TGC Merger Sub and SAITECH Limited (incorporated herein by reference to Exhibit 2.2 to Form F-4/A (File No. 333-260418) as filed with the Securities and Exchange Commission on March 29, 2022).</u>
4.3	<u>Second Amendment to Business Combination Agreement, dated as of January 26, 2022, by and among TradeUP Global Corporation, TGC Merger Sub, and SAITECH Limited (incorporated herein by reference to Exhibit 2.3 to Form F-4/A (File No. 333-260418) as filed with the Securities and Exchange Commission on March 29, 2022).</u>
4.4	<u>Third Amendment to Business Combination Agreement, dated as of March 22, 2022, by and among TradeUP Global Corporation, TGC Merger Sub, and SAITECH Limited (incorporated herein by reference to Exhibit 2.4 to Form F-4/A (File No. 333-260418) as filed with the Securities and Exchange Commission on March 29, 2022).</u>
4.5	<u>Letter Agreement, dated April 28, 2021, among TradeUP Global Corporation, TradeUP Global Sponsor LLC and certain security holders named therein (incorporated herein by reference to Exhibit 10.1 to Form 8-K (File No. 001-40368) as filed with the Securities and Exchange Commission on May 4, 2021).</u>
4.6	<u>Letter Agreement Amendment, dated September 27, 2021, among TradeUP Global Corporation, TradeUP Global Sponsor LLC, David X. Li, Tao Jiang and Michael Davidov (incorporated herein by reference to Exhibit 10.2 to Form 8-K (File No. 001-40368) as filed with the Securities and Exchange Commission on September 28, 2021).</u>
4.7	<u>Letter Agreement Amendment No. 2, dated as of January 26, 2022, by and among TradeUP Global Sponsor, LLC, TradeUP Global Corporation and certain of TradeUP Global Sponsor, LLC’s equityholders (incorporated herein by reference to Exhibit 10.1 to Form 8-K (File No. 001-40368) as filed with the Securities and Exchange Commission on January 27, 2022).</u>
4.8	<u>Private Placement Share Purchase Agreement, dated April 28, 2021, between TradeUP Global Corporation and TradeUP Global Sponsor LLC (incorporated by reference to Exhibit 10.4 to Form 8-K (File No. 001-40368) as filed with the Securities and Exchange Commission on May 4, 2021).</u>
4.9	<u>Registration Rights Agreement, dated April 28, 2021, among TradeUP Global Corporation, TradeUP Global Sponsor LLC and certain security holders named therein (incorporated herein by reference to Exhibit 10.3 to Form 8-K (File No. 001-40368) as filed with the Securities and Exchange Commission on May 4, 2021).</u>

Exhibit no	Description
4.10	Employment Agreement, dated September 27, 2021, between TradeUP Global Corporation and Risheng Li (incorporated herein by reference to Exhibit 10.3 to Form 8-K (File No. 001-40368) as filed with the Securities and Exchange Commission on September 28, 2021).
4.11	Employment Agreement, dated September 27, 2021, between TradeUP Global Corporation and Jian Zou (incorporated herein by reference to Exhibit 10.4 to Form 8-K (File No. 001-40368) as filed with the Securities and Exchange Commission on September 28, 2021).
4.12	Form of SAI 2021 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.9 to Form F-4/A (File No. 333-260418) as filed with the Securities and Exchange Commission on March 29, 2022).
4.13	Form of Indemnity Agreement (incorporated herein by reference to Exhibit 10.8 to Form F-4/A (File No. 333-260418) as filed with the Securities and Exchange Commission on December 3, 2021).
4.14	Equity Distribution Agreement, by and between SAI TECH Global Corporation and Maxim Group LLC, dated September 5, 2023 (incorporated herein by reference to Exhibit 1.1 to Form 6-K (File No. 001-40368) as filed with the Securities and Exchange Commission on September 11, 2023).
4.15	Form of 2023 Equity Incentive Plan of SAI TECH Global Corporation (incorporated herein by reference to Exhibit 10.1 to Form 6-K (File No. 001-40368) as filed with the Securities and Exchange Commission on September 14, 2023).
8.1	List of subsidiaries of the Company (incorporated herein by reference to Exhibit 8.1 to Form 20-F (001-40368) as filed with the Securities and Exchange Commission on April 19, 2024).
11.1*	Code of Business Conduct and Ethics
11.2*	Insider Trading Policies
12.1*	Certification of Chief Executive Officer (Principal Executive Officer) pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2*	Certification of Chief Financial Officer (Principal Financial Officer) pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1**	Certification of Chief Executive Officer (Principal Executive Officer) pursuant to Rules 13a-14(b) and 15d-14(d) under the Securities Exchange Act of 1934, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2**	Certification of Chief Financial Officer (Principal Financial Officer) pursuant to Rules 13a-14(b) and 15d-14(d) under the Securities Exchange Act of 1934, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
14.1*	Consent of Audit Alliance LLP.
97.1*	SAIH LIMITED Clawback Policy.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

† Schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Registration S-K. The Registrant hereby agrees to furnish a copy of any omitted schedules to the Commission upon request.

^ Indicates management contract or compensatory plan

SIGNATURES

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

SAIHEAT LIMITED

By: /s/ Risheng Li

Name: Risheng Li

Title: Chief Executive Officer

Date: April 28, 2025

SAIHEAT LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of SAIHEAT Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SAIHEAT Limited (formerly known as SAI.TECH Global Corporation, collectively, the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of operations and comprehensive income/(loss), changes in shareholders’ equity/(deficit), and cash flows for each of the three years in the period ended December 31, 2024, and the related notes to the consolidated financial statements and schedule (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial positions of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Audit Alliance LLP

Singapore
April 28, 2025
PCAOB ID Number 3487

We have served as the Company’s auditor since 2021.

SAIHEAT LIMITED
CONSOLIDATED BALANCE SHEETS
(In thousands, except for number of shares and per share data)

	As of December 31, 2023 <u>(US\$)</u>	As of December 31, 2024 <u>(US\$)</u>
Assets		
Current assets:		
Cash and cash equivalents	3,176	1,038
Restricted cash	—	41
Accounts receivable	900	237
Inventories	44	772
Crypto assets	6,709	6,905
Stablecoin assets	81	20
Deposits, prepayments and other current assets, net	1,341	1,882
Total current assets	12,251	10,895
Property and equipment, net	4,994	3,974
Operating lease right-of-use assets, net	830	585
Intangible assets, net	—	—
Long term Assets	—	3,080
Total assets	18,075	18,534
Liabilities and equity		
Current liabilities:		
Accounts payable	45	438
Operating lease liabilities-current	241	82
Accrued and other liabilities	358	122
Advance from customers	—	870
Short-term borrowings	—	2,115
Other payable and accrued liabilities	42	55
Total current liabilities	686	3,682
Operating lease liabilities-non-current	569	486
Total non-current liabilities	569	486
Total Liabilities	1,255	4,168
Commitments and contingencies - Note 12		
Shareholders' equity:		
* Class A Common Shares, \$0.0015 par value; 22,024,624 shares authorized, 1,110,907 and 1,013,163 shares issued and outstanding on December 31, 2024 and December 31, 2023.	1	1
* Class B Ordinary shares (\$0.0015 par value; 642,043 shares authorized and outstanding on December 31, 2024 and December 31, 2023)	1	1
Additional paid-in capital	48,680	52,137
Accumulated deficit	(31,345)	(37,231)
Accumulated other comprehensive loss	(517)	(542)
Total shareholders' equity	16,820	14,366
Total Liabilities and shareholders' equity	18,075	18,534

* The shares and per share data are presented on a retroactive basis to reflect the reverse stock split.

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

SAIHEAT LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS)/INCOME
(In thousands, except for number of shares and per share data)

	For the year ended December 31,		
	2022 (US\$)	2023 (US\$)	2024 (US\$)
Revenues	10,638	6,776	5,543
Cost of revenues	9,498	6,319	6,553
Gross Profit	1,140	457	(1,010)
Sales and marketing expenses	1,098	1,134	284
General and administrative expenses	6,080	5,703	5,973
Research and development expenses	476	853	642
Impairment of long-lived assets	951	138	—
Total operating expenses	8,605	7,828	6,899
Loss from operations	(7,465)	(7,371)	(7,909)
Other income/(expense), net	(1,380)	1,251	2,023
Loss before income tax	(8,845)	(6,120)	(5,886)
Income tax benefit(expenses)	—	—	—
Net loss	(8,845)	(6,120)	(5,886)
Other comprehensive loss			
Foreign currency translation loss	(544)	(56)	(25)
Total comprehensive loss	(9,389)	(6,176)	(5,911)
Loss per ordinary share*			
Basic and diluted	(6.7189)	(3.7916)	(3.4582)
Weighted average number of ordinary shares outstanding*:			
Basic & diluted	1,316,440	1,614,089	1,702,018

* The shares and per share data are presented on a retroactive basis to reflect the reverse stock split.

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

SAIHEAT LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY/(DEFICIT)
(In thousands, except for number of shares and per share data)

	Class A Ordinary shares		Class B Ordinary shares		Series Seed Preferred shares		Additional paid-in capital (US\$)	(Accumulated deficit)/ Retained earnings (US\$)	Accumulated other comprehensive loss (US\$)	Total shareholders' equity/ (deficit) (US\$)
	Number of shares*	Amount (US\$)	Number of shares*	Amount (US\$)	Number of shares*	Amount (US\$)				
Balance, January 1, 2023	936,025	1	642,043	1	—	—	46,030	(25,257)	(461)	20,314
Net loss	—	—	—	—	—	—	—	(6,120)	—	(6,120)
Share-based compensation expense	77,138	—	—	—	—	—	2,641	—	—	2,641
Reverse recapitalization	—	—	—	—	—	—	9	—	—	9
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(56)	(56)
Beginning balance adjustment due to revaluation of Bitcoin holdings	—	—	—	—	—	—	—	80	—	80
Disposal of a subsidiary	—	—	—	—	—	—	—	(48)	—	(48)
Balance, December 31, 2023	1,013,163	1	642,043	1	—	—	48,680	(31,345)	(517)	16,820
Balance, January 1, 2024	1,013,163	1	642,043	1	—	—	48,680	(31,345)	(517)	16,820
Net loss	—	—	—	—	—	—	—	(5,886)	—	(5,886)
Share-based compensation expense	97,744	—	—	—	—	—	3,457	—	—	3,457
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(25)	(25)
Balance, December 31, 2024	1,110,907	1	642,043	1	—	—	52,137	(37,231)	(542)	14,366

* The shares and per share data are presented on a retroactive basis to reflect the reverse stock split.

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

SAIHEAT LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the year ended December 31,		
	2022 (US\$)	2023 (US\$)	2024 (US\$)
Cash flows from operating activities			
Net loss	(8,845)	(6,120)	(5,886)
Adjustments to reconcile net income to net cash used in operating activities			
Depreciation and amortization	1,662	1,347	1,655
Impairment of long-lived assets	951	138	—
Loss on disposal of property and equipment	718	402	2
Share-based payment	1,060	2,641	3,458
Changes in fair value of crypto assets		(785)	(2,034)
Gain from disposal of subsidiaries	—	(48)	—
ROU amortization	159	221	244
Changes in operating assets and liabilities			
Accounts receivables and Other receivables	(366)	686	858
Long term Assets	—	—	(3,080)
Crypto assets	(37)	(1,300)	(90)
Deposits and prepayments to suppliers	797	(277)	(756)
Accounts payable	(1,096)	(119)	396
Inventories	30	106	(735)
Change in lease liability	(185)	(219)	(241)
Advance from customers	(59)	—	879
Other payables and accrued liabilities, accrued payroll	278	202	(224)
Net cash used in operating activities	(4,933)	(3,125)	(5,554)
Cash flows from investing activities			
Proceed from sale of property and equipment	60	115	73
Purchase of property and equipment	(1,872)	(5,049)	(713)
Changes in Stablecoin	(12)	(69)	61
Investment in Crypto assets	(4,600)	106	1,926
Net cash (used in) provided by investing activities	(6,424)	(4,897)	1,347
Cash flows from financing activities			
Reverse recapitalization	18,533	9	—
Short-term borrowings	—	—	2,115
Net cash provided by financing activities	18,533	9	2,115
Effect of exchange rate changes	(438)	(26)	(5)
Net increase (decrease) in Cash and cash equivalents, Restricted cash	6,738	(8,039)	(2,097)
Cash and cash equivalents, Restricted cash at beginning of the year	4,477	11,215	3,176
Cash and cash equivalents, Restricted cash at end of the year	11,215	3,176	1,079
Supplemental disclosure of non-cash financing activities:			
Obtaining a ROU asset in exchange for a lease liabilities	514	622	—

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

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

1. Organization

SAIHEAT LIMITED, formerly known as SAI.TECH Global Corporation, TradeUP Global Corporation (the “Company” or “SAI.TECH”), was incorporated in the Cayman Islands on February 2, 2021. The Company, through its subsidiaries, is primarily engaged in sales of crypto assets mining machines and sale of outdoor computing infrastructure container to end customers, specialized hosting service to crypto asset mining customers, digital mining and mining pool service and other service globally.

a. Reverse recapitalization

On April 29, 2022, the Company consummated the previously announced business combination (the “Business Combination”) with SAITECH Limited, a Singapore based digital mining operator. Following the closing of the Business Combination, SAITECH Limited became a wholly owned subsidiary of TradeUP Global Corporation (“TradeUP”), which subsequently renamed to “SAI.TECH Global Corporation”. The transaction is accounted for as a recapitalization, SAITECH Limited is determined as the predecessor and the historical financial statements of SAITECH Limited became the Company’s historical financial statements, with retrospective adjustments to give effect of the recapitalization. The equity is restated using the exchange ratio of 0.13376 established in the recapitalization transaction, which is \$188 million and \$10.00 per share (the “exchange ratio”) divided by 140,551,496 (total ordinary shares outstanding of SAITECH Limited), and together with holders of 3,492,031 TradeUP Class A Ordinary Shares, remaining after the redemption of 2,071,735 shares, received 3,492,031 Class A Ordinary Shares, holders of 272,247 TradeUP Class B Ordinary Shares received 272,247 Class A Ordinary Shares, and holders of 2,244,493 TradeUP Warrants received Warrants to purchase 2,244,493 Class A Ordinary Shares, to reflect the equity structure of the Company.

Following completion of the Business Combination, holders of 28,000,000 SAITECH Limited Class A Ordinary Shares, remaining after the redemption of 24,254,751 shares, received 3,745,249 Class A Ordinary Shares, holders of 2,040,816 SAITECH Limited Series Seed Preferred Shares, remaining after the redemption of 1,767,838 shares, received 272,978 Class A Ordinary Shares, holders of 7,288,630 SAITECH Limited Series Angel Preferred Shares, remaining after the redemption of 6,313,711 shares, received 974,919 Class A Ordinary Shares, holders of 14,599,115 SAITECH Limited Series Pre-A Preferred Shares, remaining after the redemption of 12,646,352 shares, received 1,952,763 Class A Ordinary Shares, and holders of 16,622,935 SAITECH Limited Series A Preferred Shares, remaining after the redemption of 14,399,469 shares, received 2,223,466 Class A Ordinary Shares.

There is an aggregate of 12,933,653 Class A Ordinary Shares issued and outstanding, and 2,244,493 Class A Ordinary Shares issuable upon the exercise of the warrants to purchase Class A Ordinary Shares outstanding, with an exercise price of \$11.50 per share.

Loss/(income) per share is retrospectively restated using the historical weighted-average number of ordinary shares outstanding multiplied by the exchange ratio. The par value of ordinary shares remained \$0.0001, the subscription receivable was adjusted retrospectively from negative \$9 to \$nil, and the difference was adjusted retrospectively as in addition paid-in capital as of December 31, 2022 and then after. The preferred shares which were presented in mezzanine equities and Series Seed Preferred Shares were adjusted retrospectively into Class A ordinary shares and additional paid-in capital as of December 31, 2022 and then after.

The consolidated statements of changes in equity for the years ended December 31, 2021 and 2020 were also adjusted retrospectively to reflect these changes. The weighted average number of ordinary shares outstanding used in computing net loss per ordinary share — basic and diluted was adjusted retrospectively from 93,061,216 to 18,800,009 for the years ended December 31, 2021 and 2020. The loss per share before and after the retrospective adjustments are as follows.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

1. Organization (cont.)

a. Reverse recapitalization (cont.)

	Year Ended December 31,			
	2020		2021	
	Before adjustment	After adjustment	Before adjustment	After adjustment
Net loss per share attributable to ordinary shareholders of SAI.TECH Global Corporation.				
– Basic and diluted	—	—	(0.0019)	(1.4274)
Weighted average shares used in calculating net loss per share				
– Basic and diluted	93,061,216	12,447,760	93,061,216	12,447,760

b. Reorganization

Prior to the Business Combination, SAITECH undertook a series of steps as follows to restructure its business (the “Reorganization”):

The Company incorporated Superlative Accelerating Infinite Limited (“Superlative Accelerating”) under the laws of the British Virgin Islands and Superlative Accelerating incorporated Silicon Asset Investment Limited (“Silicon Asset”) under the laws of Hong Kong, as its wholly owned subsidiary, in April 2021. In April 2021, Silicon Asset incorporated a wholly owned subsidiary, Hangzhou Dareruohan Technology Co., Ltd. (“SAIH WOFE”) in Hangzhou, the PRC.

Effective on April 22, 2021, the Company acquired control over Beijing SAIH and its subsidiary, Xinjiang Silicon Substrate Heating Power Co., Ltd. (“Xinjiang Silicon”) by entering into a series of contractual agreements (the “VIE Agreements”). The VIE Agreements enable SAIH WOFE to (i) have power to direct the activities that most significantly affect the performance of Beijing SAIH, and (ii) receive the benefits of Beijing SAIH that could be significant to Beijing SAIH. SAIH WOFE is fully and exclusively responsible for the management of Beijing SAIH, absorbs all risk of losses of Beijing SAIH and has the exclusive right to exercise all voting rights of Beijing SAIH’s shareholders. Therefore, in accordance with ASC 810 “Consolidation”, SAIH WOFE is considered as the primary beneficiary of Beijing SAIH and its subsidiary and has consolidated Beijing SAIH’s assets, liabilities, results of operations, and cash flows in the accompanying consolidated financial statements. Beijing SAIH is controlled by the same shareholder since incorporation and after the reorganization. Accordingly, Beijing SAIH became the VIE of the Company and the Company, through its wholly owned subsidiaries, Superlative Accelerating, Silicon Asset and SAIH WOFE, become the primary beneficiary of Beijing SAIH and its subsidiary (the “Reorganization”).

Since the Company, its wholly owned subsidiaries and the VIE were effectively controlled by the same shareholders immediately before and after the Reorganization completed on April 22, 2021, as described above, the Reorganization was accounted for as a recapitalization. As a result, the consolidation of the Company, its subsidiaries and the VIE has been accounted for at historical cost, as a transaction between entities under common control in a manner similar to polling of interest for the year ended December 31, 2020.

On August 31, 2021, the Company terminated the VIE Agreements. As a result, the corporate structure of the Company no longer contains a VIE structure starting from August 31, 2021.

On March 17, 2025, the Company effected a reverse stock split at a ratio of 15-to-1. All the shares and share price in the accompanying consolidated financial statements and notes have been retrospectively adjusted to reflect the effect of the reverse stock split (see Note 18).

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

1. Organization (cont.)

c. Subsidiaries

As of December 31, 2024, the Company's major subsidiaries were summarized as follows:

Name of the entity	Date of incorporation	Percentage of ownership	Place of incorporation	Principle business activities
Subsidiaries				
Superlative Accelerating Infinite Limited	February 5, 2021	100%	BVI	Investment holding
Sustainable Available Innovative Limited	July 14, 2021	100%	BVI	Investment holding
Silicon Asset Investment Limited	March 3, 2021	100%	Hong Kong	Investment holding
Sustainable Available Innovative Pte. Ltd.	August 18, 2021	100%	Singapore	Investment holding
Sustainable Available Innovative Asia Ltd	August 26, 2021	100%	Republic of Kazakhstan	Investment holding
Hangzhou Dareruohan Technology Co., Ltd.	April 2, 2021	100%	PRC	Research and Development
Nanjing SuannengWuxian Technology Co. Ltd. ⁽¹⁾	June 4, 2020	100%	PRC	Research and Development
SAI US INC.	February 24, 2022	100%	U.S.	Engaged in crypto asset mining business
SAITECH FIN OY	November 16, 2021	100%	Finland	Investment holding
Boltbit Limited	March 28, 2023	100%	CAY	Investment holding
Boltbit SG PTE. LTD(Singapore)	July 5, 2023	100%	Singapore	Investment holding
Energism asset investment Limited	January 11, 2023	100%	BVI	Investment holding
Energism General Partner Limited	February 1, 2023	100%	CAY	Investment holding
BOLTBIT US INC	August 16, 2023	100%	U.S.	Engaged in AI related Business
SAITECH LIMITED	February 2, 2021	100%	CAY	Investment holding

(1) On August 9, 2021, the Company completed the acquisition of Nanjing SuannengWuxian Technology Co. Ltd. ("Nanjing SuannengWuxian"), an entity under common control by one of our principal shareholders. Nanjing SuannengWuxian provides crypto mining service to its customers.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

2. Summary of Significant Accounting Policies

a) Basis of presentation

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

b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of us and our subsidiaries, of which we are the primary beneficiary, from the dates they were acquired or incorporated. All inter-company transactions and balances have been eliminated upon consolidation.

c) Liquidity

For the year ended December 31, 2024, the Company had a net loss of \$5,886 and net cash outflow in operating activities of \$5,554. As of December 31, 2024, our consolidated current assets exceeded our consolidated current liabilities by \$7,213, we had cash, restricted cash and cash equivalents of \$1,079, crypto assets and stablecoins assets of \$6,925, and accumulated deficit of \$37,231. The Company believes its current cash and crypto assets on hand is sufficient to meet its operating and capital requirement for at least the next twelve months from the date these financial statements are issued.

d) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of these consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company continually evaluates these estimates and assumptions based on the most recently available information, historical experience and various other assumptions that the Company believes to be reasonable under the circumstances. Significant accounting estimates reflected in the Company's consolidated financial statements include but are not limited to estimates and judgments applied in determination of allowance for credit loss, impairment losses for long-lived assets including intangible assets, valuation allowance for deferred tax assets, allowance for inventory obsolescence, estimated forfeiture rate in calculation of share-based payment, estimated interest rate on calculation of operating lease. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

e) Foreign currency translation and transactions

Historically the Company's principal country of operations is the PRC. The financial position and results of its operations are determined using RMB, the local currency, as the functional currency. The Company's financial statements are reported using U.S. Dollars ("US\$", or "\$"). The functional currency for the Company in Cayman Island is US\$. Assets and liabilities are translated using the exchange rate at each balance sheet date. The consolidated statements of operations and comprehensive (loss)/income and cash flows denominated in foreign currency are translated at the average rate of exchange during the reporting period, and shareholders' equity/(deficit) is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive (loss)/income in shareholders' equity.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

2. Summary of Significant Accounting Policies (cont.)

e) Foreign currency translation and transactions (cont.)

The value of RMB against US\$ and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Any significant revaluation of RMB may materially affect the Company's financial condition in terms of US\$ reporting. The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	As of December 31, 2023	As of December 31, 2024
Balance sheet items, except for equity accounts	7.0827	7.1884
	For the Year Ended December 31,	
	2022	2023
Items in the consolidated statements of operations and comprehensive loss, and cash flows	6.7190	7.0422
	2024	7.1205

No representation is intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate stated above, or at any other rate.

f) Cash and cash equivalents

Cash and cash equivalents consist of bank deposits, which are unrestricted as to withdrawal and use. The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

g) Restricted cash

Restricted cash refers to the cash held by the Company for specific purposes (research and development) and cannot be immediately used for general operations or discretionary expenditures and investments. The Company receives a government grant primarily allocated for research and development expenditures, which must be approved by the pertinent authorities.

h) Accounts receivable

The Company records accounts receivable at net realizable value consisting of the carrying amount less an allowance for credit loss as needed. The allowance for credit loss is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on aging data, historical collection experience, customer specific facts and economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2024 and 2023, the Company did not record any allowances for credit loss against its accounts receivable.

i) Inventories

Inventories, consisting of digital mining cabinets and related accessories for the production purpose, are stated at the lower of cost or net realizable value. The cost of inventory is determined using the identified cost of the specific item. Inventory is written down for damaged and slow-moving crypto asset mining machines, which is dependent upon factors such as historical and forecasted consumer demand and expected selling price. Write downs are recorded in cost of revenues in the consolidated statements of operations and comprehensive (loss)/income. For the years ended December 31, 2024 and 2023, the Company did not recognize any write down on inventories.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

2. Summary of Significant Accounting Policies (cont.)

j) Crypto assets

Crypto assets purchased are recorded at cost and Crypto assets (mainly bitcoin) awarded to the Company through its mining activities are accounted for in connection with the Company's revenue recognition policy. Crypto assets (bitcoin) are included in current and other assets in the accompanying Consolidated Balance Sheets due to the Company's ability to sell bitcoin in a highly liquid marketplace and the selling of bitcoin to fund operating expenses to support operations. Crypto assets held are accounted for as intangible assets with indefinite useful lives. Crypto assets are measured on a first-in-first-out ("FIFO") in order to more accurately reflect the disposition of Company's crypto assets. ASC 350-60 provides guidance on classifying proceeds from bitcoin and concludes that bitcoin converted nearly immediately into cash would qualify as cash flows from operating activities. All other sales would qualify as investing activities. The Company evaluates its sales of bitcoin and will record crypto assets sold nearly immediately as operating cash flows and the remainder will be recorded as investing activities. During year ended December 31, 2023, all proceeds from bitcoin sales were classified as investing activities. As a result of adopting ASC 350-60 on October 1, 2023, crypto assets are measured at fair value as of each reporting period. The fair value is measured using the period-end closing crypto assets price from its principal market in accordance with ASC 820, Fair Value Measurement.

Under ASU 2023-08, Intangibles-Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets ("ASU 2023-08"), which requires entities to measure crypto assets at fair value with changes recognized in the Consolidated Statement of Operations and Comprehensive Income (Loss) each reporting period. The Company's crypto assets are within the scope of ASU 2023-08, crypto assets are revalued at fair value at the end of each reporting period, with changes in fair value recognized in net income. As a result, fluctuations in the price of Bitcoin may significantly impact our results of operations. The Company recorded a \$2,034 increase in crypto assets and a \$2,034 increase in net income on the Consolidated Balance Sheets for the year ended December 31, 2024.

Crypto assets generated from the crypto assets mining business and the mining pool business as well as the crypto assets distributed to mining pool participants are included within operating activities in the accompanying consolidated statements of cash flows. The sales of crypto assets 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 crypto assets in the consolidated statements of operations and comprehensive (loss)/income.

k) Stablecoin assets

Stablecoin is included in current assets in the accompanying consolidated balance sheets. The Company holds positions in the stablecoins USD Coin (USDC), which can be redeemed one USDC for one U.S. dollar on demand from the issuer, but are considered a financial instrument in accordance with ASC Topic 825. The purpose of keeping stablecoin is to invest in bitcoin when the price and market condition are favorable to us. These stablecoins are recognized in the consolidated balance sheets as a liquidity resource, while not accounted for as cash or cash equivalents.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

2. Summary of Significant Accounting Policies (cont.)

l) Property and equipment, net

The Company records plant not yet placed into service as construction in progress. Once the plant is completed and operational, the construction in progress is reclassified to “Plant” and depreciated over the estimated useful life.

The Company’s property and equipment are recorded at cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated on the straight-line method after taking into account their respective estimated residual values over the following estimated useful lives:

Item	Useful lives	Ratio of residual values
Furniture, fixture and other equipment	3 years	5%
Electronic equipment	3 – 5 years	5%
Plant	Shorter of useful life or lease term	0%

When property and equipment are retired or otherwise disposed of, resulting gain or loss is included in net income in the period of disposition. For the year ended December 31, 2024, 2023 and 2022, the Company recognized \$2, \$402 and \$718 on loss from disposal of property and equipment, net.

m) Construction in process

Direct costs that are related to the construction of equipment and incurred in connection with bringing the assets to their intended use are capitalized as construction in process. Construction in process is transferred to specific plants and equipment items and the depreciation of these assets commences when the assets are ready for their intended use.

n) Impairment of long-lived assets

All long-lived assets, which include tangible long-lived assets and intangible long-lived assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the assets. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount of the asset and its fair value. For the years ended December 31, 2024, 2023 and 2022, the Company recognized nil, \$138 and \$912 on impairment loss on long-lived assets.

o) Fair value of financial instruments

The Company’s financial instruments primarily consist of cash and cash equivalents, accounts receivable and stablecoin. The carrying values of these financial instruments’ approximate fair values due to their short term in nature.

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

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

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

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

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

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

2. Summary of Significant Accounting Policies (cont.)

p) Revenue recognition

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

Sales of products

Revenue generated from sales of products occurs for the sales of crypto asset mining machines and outdoor computing infrastructure container to end customers. The Company presents the revenue generated from its product sales on a gross basis as the Company acts as the principal and has control of the goods and has the ability to direct the use of goods to obtain substantially all the benefits. In making this determination, the Company also assesses whether it is primarily obligated in these transactions, is subject to inventory risk, has latitude in establishing prices, or has met several but not all of these indicators.

Revenues are measured as the amount of consideration the Company expects to receive in exchange for transferring control of products to customers. Consideration from product sales is recorded net of value-added tax, and there is generally no other performance obligation other than the delivery of products. Proceeds from product sales are recognized as revenue at the point in time when the receipt of product is confirmed by the customer.

Hosting service

Revenues generated from hosting service is earned by the Company to perform hosting service and daily maintenance of servers for customers throughout the contractual period. The single performance obligation is to provide an environment for the servers to operate continuously which is satisfied over time. Such hosting service revenue is recognized over time as the performance obligation is satisfied over the term of the contracts with customers.

Mining pool services

The Company operates its mining pool, Sai.plus, 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 Company receives all the mining rewards in its own name, 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 Company 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 Company 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 Company 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 Company 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 Company dictates the tasks and the participants' mining machines merely follow the allocation prescribed by the Company. As a result, the Company is primarily responsible for fulfilling the promise to provide the specified service. Further, under existing sharing mechanisms, the Company 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 Company provides mining pool services under Sai.plus.

Mining Revenue

The Company have entered into crypto asset mining pools by executing contracts, as amended from time to time, with the mining pool operators to provide computing power to the mining pool. The contracts are terminable at any time by either party and our enforceable right to compensation only begins when we provide computing power to the mining pool operator. In exchange for providing computing power, the Company is entitled to a fractional share of the fixed crypto assets award the mining pool operator receives (less crypto asset transaction fees to the mining pool operator which are immaterial and are recorded as a deduction from revenue), for successfully adding a block to the blockchain.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

2. Summary of Significant Accounting Policies (cont.)

q) Income taxes

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

r) Uncertain tax positions

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

Interest on non-payment of income taxes under requirement by tax law and penalties associated with tax positions when a tax position does not meet the minimum statutory threshold to avoid payment of penalties recognized, if any, will be classified as a component of the provisions for income taxes. The tax returns of the Company’s Hong Kong and PRC subsidiaries and VIE are subject to examination by the relevant local tax authorities.

According to the Departmental Interpretation and Practice Notes No.11 (Revised) (“DIPN11”) of the Hong Kong Inland Revenue Ordinance (the “HK tax laws”), an investigation normally covers the six years of the assessment prior to the year of the assessment in which the investigation commences. In the case of fraud and willful evasion, the investigation is extended to cover ten years of assessment.

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances, where the underpayment of taxes is more than RMB100,000. In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion.

According to the U.S. tax laws, the statute of limitations for settlement of uncertain tax positions is generally three years from the date the tax return was filed. During this period, the Internal Revenue Service (IRS) can assess additional taxes or adjustments based on the position that was not specifically reviewed. If the IRS identifies a computational error in the tax return or a similar position that was not reviewed, the statute of limitations may extend to five years. For more complex issues related to transfer pricing, the statute of limitations can extend to ten years. Additionally, if there is a case of similar positions previously settled through the expiration of the statute of limitations, the IRS may re-examine these positions. Furthermore, if the underpayment of taxes is due to willful neglect, there is no statutory limitation on the IRS’s ability to audit and assess taxes.

The recognition of uncertain tax positions is based on a “more-likely-than-not” threshold as outlined in ASU 2016-16, in which previously unrecognized tax benefits should be recognized when a position is effectively settled through the expiration of the statute of limitations. If the statute of limitations is not expected to expire, the related tax position should be classified as a current liability if cash payments are expected within one year or the operating cycle, whichever is longer.

For the year ended December 31 2024, 2023 and 2022, the Company did not have any material interest or penalties associated with tax positions. The Company did not have any significant unrecognized uncertain tax positions as of December 31, 2024 and 2023. The Company does not expect that its assessment regarding unrecognized tax positions will materially change over the next 12 months.

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the “CODM”), which is comprised of certain members of the Company’s management team. Consequently, the Company has determined that it has two reportable operating segments.

In addition, the Company’s chief operating decision maker makes resource allocation decisions and assesses performance based on the different business operating results instead of the geographic location operating results. Therefore, no geographical segments are presented.

t) Earnings per share

Earnings (loss) per share is computed in accordance with ASC 260. The two-class method is used for computing earnings per share in the event the Company has net income available for distribution. Under the two-class method, net income is allocated between ordinary shares and participating securities based on dividends declared and participating rights in undistributed earnings as if all the earnings for the reporting period had been distributed. Series Angel and Series Pre-A Preferred Shares issued by the Company qualified as participating securities because they have the same participating rights on the earnings of the Company as ordinary shares on an as-converted basis after the preferred shareholders receive non-cumulative annual dividends up to 100% of the original issue price for each of the preferred shares.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

2. Summary of Significant Accounting Policies (cont.)

t) Earnings per share (cont.)

Basic earnings (loss) per ordinary share is computed by dividing net income/(loss) attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. Diluted earnings/(loss) per share is calculated by dividing net income/(loss) attributable to ordinary shareholders by the weighted average number of ordinary and potential ordinary shares outstanding during the period. Potential ordinary shares include ordinary shares issuable upon the conversion of the preferred shares using the if-converted method. Potential ordinary shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive or in the case of contingently issuable shares that all necessary conditions for issuance have not been satisfied. For the year ended December 31, 2024, 2023 and 2022, there were no dilutive shares.

u) Share based compensation

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes the cost over the period the employee is required to provide service in exchange for the award, which generally is the vesting period. The Company recognizes compensation cost for an award with only service conditions that has a graded vesting schedule on a straight-line basis over the requisite service period for the entire award, net of estimated forfeitures, provided that the cumulative amount of compensation cost recognized at any date at least equals the portion of the grant-date value of such award that is vested at that date. Forfeiture rates are estimated based on historical and future expectations of employee turnover rates.

v) Commitments and contingencies

The Company accrues estimated losses from loss contingencies by a charge to income when information available before financial statements are issued or are available to be issued indicates that it is probable that an asset had been impaired, or a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the financial statements when it is at least reasonably possible that a material loss could be incurred. As of December 31, 2024 and 2023, there were no contingent liabilities relating to litigations against the Company.

w) Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The amendments in this ASU requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities.

3. Inventories

Inventories consisted of the following:

	As of December 31, 2023	As of December 31, 2024
	US\$	US\$
Outdoor computing infrastructure container	—	766
Accessories	44	6
	44	772

Inventories are stated at the lower of cost or net realizable value. No impairment was recorded for the year ended December 31, 2024 and 2023.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

4. Deposits, Prepayments and Other Current Assets, net

Prepaid expenses and other current assets consisted of the following

	As of December 31, 2023	As of December 31, 2024
	US\$	US\$
Deposits for office spaces leases	89	91
Advance to vendors(i)	223	1,015
Deductible VAT tax	567	688
Other current assets(ii)	462	88
Deposits, prepayments and other current assets, cost	<u>1,341</u>	<u>1,882</u>
Less: bad debt provision	—	—
Deposits, prepayments and other current assets, net	<u><u>1,341</u></u>	<u><u>1,882</u></u>

(i) Advance to vendors mainly consists of advance payments to suppliers of cooling containers, and the containers will be delivered in the next year.

(ii) Other current assets mainly consist of the advance payment to the power supplier in connection with the Company's self-mining and tax refund.

5. Crypto assets

The Company adopted ASU 2023-08, which requires our crypto assets, including Bitcoin, USDT and other crypto assets, to be valued at fair value each reporting period with changes in fair value recorded in net income. The Company's crypto assets are within the scope of ASU 2023-08 and the guidance requires a cumulative-effect adjustment as of the beginning of the current fiscal year for any difference between the carrying amount of the Company's crypto assets and fair value. The value of crypto assets is recognized at the value reported in the trading platform's financial statements as of December 31, 2024.

The following table presents the Company's significant crypto asset holdings as of December 31, 2024:

(in thousands, expect number and per bitcoin)

Bitcoin holdings	31-Dec-23	31-Dec-24
Number of bitcoin held	66	67
Carrying basis - per bitcoin	\$ 30,346	\$ 59,937
Fair value - per bitcoin	\$ 42,450	\$ 93,765
Carrying basis of bitcoin	\$ 2,002	\$ 4,009
Fair value of bitcoin	<u>\$ 2,800</u>	<u>\$ 6,268</u>
Others crypto assets holding	31-Dec-23	31-Dec-24
Number of other crypto assets held	15,108	10,882
Carrying basis of other crypto assets	\$ 376	\$ 202
Fair value of other crypto assets	<u>\$ 364</u>	<u>\$ 221</u>
USDT holdings	31-Dec-23	31-Dec-24
Number of USDT held	3,545,562	415,770
Carrying basis - USDT	1	1
Fair value - per USDT	1	1
Carrying basis of USDT	3,545	416
Fair value of USDT	<u>3,545</u>	<u>416</u>

SAIHEAT LIMITED
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5. Crypto assets (cont.)

The following tables present a summary of the impacts of the adoption of ASU 2023-08, on the Company's interim Condensed Consolidated Statements of Operations provided during the year ended December 31, 2024.

(in thousands)

	BTC	USDT	Others
Beginning Balance: Crypto assets, on January 1, 2024	2,800	3,545	364
Addition of crypto assets	4,767	9,077	221
Disposition of crypto assets	(3,898)	(12,218)	(433)
Realized gain on crypto assets	286	12	69
Unrealized gain on crypto assets	2,313	—	—
Crypto assets on December 31, 2024	\$ 6,268	\$ 416	\$ 221

6. Property and Equipment, Net

Property and equipment, net, consisted of the following

	As of December 31, 2023 US\$	As of December 31, 2024 US\$
Electronic equipment	2,677	3,148
Furniture, fixtures and other equipment	2,265	2,294
Plants	1,310	1,982
Construction in progress	602	—
Property and equipment, cost	6,854	7,424
Less: accumulated depreciation	(1,392)	(2,982)
Impairment	(468)	(468)
	4,994	3,974

Depreciation expenses for the year ended December 31, 2024, 2023 and 2022 were approximately \$1,652, \$1,241 and \$1,506 respectively. Impairment losses are made against SAIHUB cabinet and outdated bitcoin mining machines, which were out of use, and Management believes the carrying amount is not recoverable thus made full provision.

7. Intangible Assets, Net

Intangible asset, net, consisted of the following

	As of December, 2023 US\$	As of December, 2024 US\$
Purchased software	306	—
Less: accumulated amortization	(306)	—
	—	—

Amortization expenses for the year ended December 31, 2024, 2023 and 2022 were approximately nil, \$88 and \$138 respectively.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

8. Operating Leases

The Company entered into various operating lease agreements, mainly including operation in Kazakhstan, which was started in August, 2021, office lease, which was started in March, 2022, operation lease in Ohio, U.S., which was started in August, 2022, and operation in Marietta, U.S., which was started in April, 2023. The remaining lease terms ranges from 0.09 to 8.25 years. The Company'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 Company's consolidated balance sheet.

	As of December 31, 2023	As of December 31, 2024
	US\$	US\$
Right-of-use assets, net	830	585
Impairment of right-of-use assets	—	—
Right-of-use assets, net	<u>830</u>	<u>585</u>
Operating lease liabilities – current	241	82
Operating lease liabilities – non-current	569	486
Total operating lease liabilities	<u>810</u>	<u>568</u>

For the year ended December 31, 2024 and 2023, the Company recorded short-term lease costs of \$51 and \$27 respectively. Cash paid for amounts included in the measurement of operating lease liabilities were \$272 and \$263 for the year ended December 31, 2024 and 2023, respectively. As of December 31, 2024, the weighted average remaining lease term was 3 years, and the weighted average discount rate was 4.6%.

The following table summarizes the maturity of operating lease liabilities as of December 31, 2024:

	Land&Plant lease	Office and other leases	Total
2025	105	—	105
2026	75	—	75
2027	75	—	75
Thereafter	424	—	424
Total	<u>679</u>	<u>—</u>	<u>679</u>
Less: imputed interest	111	—	111
Present value of lease liabilities	<u>\$ 568</u>	<u>\$ —</u>	<u>\$ 568</u>

9. Income Taxes

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

Cayman Islands

The Company is incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the Company is not subject to income or capital gains taxes. In addition, dividend payments are not subject to withholdings tax in the Cayman Islands.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

9. Income Taxes (cont.)

British Virgin Islands (“BVI”)

Under the current laws of the BVI, the Company’s subsidiaries incorporated in BVI are not subject to tax on income or capital gains. Additionally, upon payments of dividends by the BVI company to its respective shareholders, no BVI withholding tax will be imposed.

Hong Kong, PRC

Under the current Hong Kong tax laws, a two-tier corporate income tax system was implemented in Hong Kong, which is 8.25% for the first HK\$2.0 million profits, and 16.5% for the subsequent profits. Under the HK tax laws, it is exempted from the Hong Kong income tax on its foreign-derived income. In addition, payments of dividends from Hong Kong subsidiaries to the Company are not subject to any Hong Kong withholding tax.

Mainland, PRC

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

The income tax rate of the Company’s VIE and VIE subsidiary is 25% for the period from March 28, 2019 (inception) through December 31, 2019, and the years ended December 31, 2020. On August 31, 2021, the Company terminated the VIE Agreements. As a result, the corporate structure of the Company no longer contains a VIE structure effective August 31, 2021.

Singapore

Sustainable Available Innovative Pte. Ltd. was established in Singapore and is subject to Singapore corporate income taxes at the rate of 17% for the years ended December 31, 2024, 2023 and 2022.

United States (“U.S.”)

SAI US INC. is incorporated in the U.S. and is subject to the U.S. federal income taxes. According to U.S. tax reform, a flat corporate income tax rate of 21% is effective beginning in 2018.

For the year ended December 31, 2024, 2023 and 2022, the Company’s income tax expense is nil, respectively.

A reconciliation of the income tax expense determined at the U.S. federal income tax rate to the Company’s actual income tax expense is as follows:

	For Year Ended December 31,		
	2022	2023	2024
	US\$	US\$	US\$
Loss before income tax expense	(8,845)	(6,120)	(5,886)
U.S. federal income tax rate	21%	21%	21%
Income tax benefit computed at the applicable tax rate	(1,857)	(1,285)	(1,236)
Expenses not deductible	223	555	726
Effect of differences in corporate income tax rates	(550)	(60)	(216)
Change in valuation allowance	2,184	790	726
Income tax expense	—	—	—

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

9. Income Taxes (cont.)

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

	As of December 31, 2023	As of December 31, 2024
	US\$	US\$
Deferred tax assets	3,029	3,755
Less: valuation allowance	(3,029)	(3,755)
Deferred tax assets, net	<u>—</u>	<u>—</u>

The Company reviews deferred tax assets for a valuation allowance based upon whether it is more likely than not that the deferred tax asset will be fully realized. The Company evaluates its valuation allowance requirements at end of each reporting period by reviewing all available evidence, both positive and negative, and considering whether, based on the weight of that evidence, a valuation allowance is needed. When circumstances cause a change in management's judgement about the recoverability of deferred tax assets, the impact of the change on the valuation allowance is generally reflected in income from operations. The future realization of the tax benefit of an existing deductible temporary difference ultimately depends on the existence of sufficient taxable income of the appropriate character within the carryforward period available under applicable tax law.

The following represents a roll-forward of the valuation allowance :

	For the years ended December 31,		
	2022	2023	2024
	US\$	US\$	US\$
Beginning balance	54	2,238	3,029
charge to tax expense in current year	2,184	790	726
Ending balance	<u>2,238</u>	<u>3,029</u>	<u>3,755</u>

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

10. Restricted Net Assets

The Company's operations are conducted through its PRC subsidiary and historically the VIE. Relevant PRC statutory laws and regulations permit payments of dividends by its PRC subsidiary and VIE only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations, and after it has met the PRC requirements for appropriation to statutory reserves. Paid in capital, additional paid-in capital of the PRC subsidiary and VIE, including the mezzanine equity which are part of the paid in capital and additional paid-in capital of the VIE, included in the Company's consolidated net assets are also non-distributable for dividend purposes.

In accordance with the PRC regulations on Enterprises with Foreign Investment, a WOFE established in the PRC is required to provide certain statutory reserves, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise's PRC statutory accounts. A WOFE is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve has reached 50% of its registered capital based on the enterprise's PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. The Company's WOFE is subject to the above mandated restrictions on distributable profits.

Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide a statutory common reserve of at least 10% of its annual after-tax profit until such reserve has reached 50% of its registered capital based on the enterprise's PRC statutory accounts. A domestic enterprise is also required to provide for a discretionary surplus reserve, at the discretion of the board of directors. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. The Company's PRC consolidated entities are subject to the above mandated restrictions on distributable profits.

As a result of these PRC laws and regulations, the Company's PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company. As of December 31, 2024 and 2023, net assets restricted in the aggregate, which include paid-in capital, additional paid-in capital and statutory reserve funds of the Company's PRC subsidiaries that are included in the Company's consolidated net assets were approximately \$12,501 and \$10,477, respectively.

11. Employee Defined Contribution Plan

Full time employees of the Company's subsidiaries in U.S., Singapore and 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. The related labor regulations of U.S., Singapore and PRC require that the Company make contributions to the government for these benefits based on certain percentages of the employees' salaries. The employee benefits were expensed as incurred. The Company has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits were \$171, \$334 and \$256, respectively, for the years ended December 31, 2024, 2023 and 2022.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

12. Share-based Payment

Share Incentive Plans

The Company has incentive plan for the granting of share-based awards, including restricted share units, to management and employees.

2021 Share Incentive Plan

On April 22, 2022, the Company's shareholders adopted the 2021 Share Incentive Plan, which provides for the issuance of up to an initial 1,812,663 Class A ordinary shares and subject to such adjustments in the plan, the then-applicable Share Reserve number will automatically increase (but not decrease) on January 1st of each year commencing on January 1, 2022 and ending on (and including) January 1, 2031, in an amount equal to the lesser of (i) three percent (3%) of the total number of ordinary shares of New SAIH outstanding on December 31st of the preceding year and (ii) such fewer number of Class A ordinary shares that the Board or any Committee may determine prior to January 1st of a given year; provided, if the effective date of the New SAIH Incentive Plan is after January 1, 2022, then the initial automatic increase shall occur on January 1, 2023 and the increases shall end on (and including) January 1, 2032.

In December 2022, the Company granted 1,402,000 restricted share units to employees under the 2021 Share Incentive Plan, which generally vest over a four-year period from the date of grant; however, in certain instances, all or a portion of grant may vest immediately. RSUs granted to management generally vest over a one-year period or, in certain instances, immediately. The Company measures the fair value of RSUs at the grant date and recognizes expense on a straight-line basis over the requisite service period from the date of grant for each separately-vesting under the graded-vesting attribution method.

2023 Share Incentive Plan

On September 6, 2023, the Company's shareholders adopted the 2023 Share Incentive Plan, which provides for the issuance of up to an initial 1,376,792 Class A ordinary shares and subject to such adjustments in the plan, the then-applicable Share Reserve number will automatically increase (but not decrease) on January 1st of each year commencing on January 1, 2024 and ending on (and including) January 1, 2033, in an amount equal to the lesser of (i) six percent (6%) of the total number of ordinary shares of New SAIH outstanding on December 31st of the preceding year and (ii) such fewer number of Class A ordinary shares that the Board or any Committee may determine prior to January 1st of a given year; provided, if the effective date of the New SAIH Incentive Plan is after January 1, 2024, then the initial automatic increase shall occur on January 1, 2025 and the increases shall end on (and including) January 1, 2034.

In February, 2023, the Company granted 400,000 RSUs to an employee for the compensation of service under the 2021 Share Incentive Plan, which is vested over four-year period from the date of grant.

In June, 2023, the Company granted 688,396 RSUs to six employees as annual bonus under the 2021 Share Incentive Plan, which was vested immediately.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

12. Share-based Payment (cont.)

In December, 2023, the Company granted 200,000 RSUs to one consultant for its service, which was vested immediately.

In February, 2024, the Company granted 341,017 RSUs to four employees as annual bonus under the 2021 Share Incentive Plan, which was vested immediately.

In February, 2024, the Company granted 150,000 RSUs to an employee for the compensation of service under the 2021 Share Incentive Plan, which is vested over four-year period from the date of grant.

In March, 2024, the Company granted 35,000 RSUs to two consultants for its service, which is vested over one-year period from the date of grant.

In October, 2024, the Company granted 790,770 RSUs to ten employees and one consultant for the compensation of service under the 2023 Share Incentive Plan, which was vested immediately.

In October, 2024, the Company granted 50,000 RSUs to one consultant for its service, which is vested over two-year period from the date of grant.

In December, 2024, the Company granted 334,500 RSUs to eighteen employees for the compensation of service, which is vested over three-year period from the date of grant.

In December, 2024, the Company granted 2,057,500 RSUs to twenty-four employees and two consultants for the compensation of service under the 2021 and 2023 Share Incentive Plan, which was vested immediately.

A summary of the Company's RSU activity for the year ended December 31, 2024 and 2023, is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested on December 31, 2022	981,000	2.49
Granted	1,288,396	1.33
Vested	(1,097,396)	1.24
Forfeited	(170,125)	2.49
Non-vested on December 31, 2023	1,001,875	2.14
Granted	3,758,787	0.9
Vested	(1,390,537)	1.27
Forfeited	(49,875)	2.49
Non-vested on December 31, 2024	3,320,250	1.11

The aggregate unrecognized share-based compensation expenses as of December 31, 2024 were approximately US\$3.7 million, which will be recognized for the years till December 19, 2027.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

13. Concentration of Risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and due from related parties, stablecoin asset. As of December 31, 2024, all of the Company's cash and cash equivalents were held by major financial institutions located in PRC, U.S., and Cayman. The Company believes that these financial institutions are of high credit quality. For accounts receivable, the Company extends credit based on an evaluation of the customer's financial condition, generally without requiring collateral or other security. Further, the Company reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate allowances are made for credit loss. In this regard, the Company considers that the Company's credit risk for accounts receivable is significantly reduced. For amount due from related parties, the Company provides advances to the officers for daily operation. For stablecoin asset, we monitor the market closely, to ensure the credit risk of stablecoin can be detected when occurred, and adequate impairment is made when necessary. The credit risk is mitigated by ongoing monitoring process of outstanding balance and timely collection when there is no immediate need for such advances.

Concentration of customers

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

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>	<u>J</u>	<u>K</u>	<u>L</u>
Year Ended December 31, 2024												
Revenues, customer concentration	16%	—	—	—	—	*	—	*	20%	—	—	—
Year Ended December 31, 2024												
Purchases, supplier concentration	—	12%	34%	—	—	—	—	—	—	11%	13%	—
As of December 31, 2024												
Accounts receivable, customer concentration	100%	—	—	—	—	—	—	—	—	—	—	—
As of December 31, 2024												
Accounts payable, supplier concentration	—	15%	—	—	—	—	—	—	—	—	—	76%

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>	<u>J</u>
Year Ended December 31, 2023										
Revenues, customer concentration	*	—	—	—	—	33%	23%	17%	—	—
Year Ended December 31, 2023										
Purchases, supplier concentration	—	12%	56%	12%	—	—	—	—	—	—
As of December 31, 2023										
Accounts receivable, customer concentration	25%	—	—	—	—	11%	—	63%	—	—
As of December 31, 2023										
Accounts payable, supplier concentration	—	41%	—	—	50%	—	—	—	—	—

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>	<u>J</u>
Year Ended December 31, 2022										
Revenues, customer concentration	12%	28%	20%	28%	—	—	—	—	—	—
Year Ended December 31, 2022										
Purchases, supplier concentration	—	—	—	—	11%	28%	27%	21%	*	—
As of December 31, 2022										
Accounts receivable, customer concentration	—	—	*	96%	—	—	—	—	—	—
As of December 31, 2021										
Accounts payable, supplier concentration	—	—	—	—	—	—	—	—	16%	—

* Less than 10%.

— No transaction incurred during the year/no balance existed as of the balance sheet date.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

14. Commitments and Contingencies

Operating lease commitment:

The information of operating lease commitment is provided in Note 8.

15. Earnings/(Loss) Per Share

Basic and diluted loss per ordinary share for each of the period presented is calculated as follows:

	For the year ended December 31,		
	2022	2023	2024
	US\$	US\$	US\$
Numerators			
Net loss	(8,845)	(6,120)	(5,886)
Less: Net income allocated to Series Angel and Series Pre-A preferred share	—	—	—
Adjusted net loss	(8,845)	(6,120)	(5,886)
Denominators			
Weighted average number of ordinary shares outstanding-Basic and diluted*	1,316,440	1,614,089	1,702,018
Loss per ordinary share-Basic and diluted	<u>(6.7189)</u>	<u>(3.7916)</u>	<u>(3.4582)</u>

* The ordinary shares are presented on a retroactive basis to reflect the Company's share consolidation on April 29, 2022

Potential ordinary shares that have an anti-dilutive effect (i.e., those that increase earnings per share or decrease loss per share) are excluded from the calculation of diluted loss per share. For the year ended December 31, 2024, 2023 and 2022, the Company had no dilutive shares.

The shares and per share data are presented on a retroactive basis to reflect the reverse stock split on March 17, 2025.

16. Amount due from/(to) related parties

The following is a list of the related parties with whom the Company conducted transactions for the year ended December 31, 2024 and 2023, and their relations with the Company:

Name of the related parties	Relation with the Company
Mr. Risheng Li	Founder, chairman of board of director, chief executive officer
Energy Science Artist Holding Limited	Shareholder of the Company

There were no related party transactions occurred during the year ended December 31, 2024, and the balance of amount due from/to related parties was US\$ 0 as of December 31, 2024 and 2023.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

16. Amount due from/(to) related parties (cont.)

On March 28, 2023, the Company acquired Atomic Evolution Limited from Energy Science Artist Holding Limited, for the purpose of exploring business opportunities in the area of SMR, with a consideration of \$0. To focus on its core business, on December 25, 2023, the Company transferred all of its equity interest in Atomic Evolution Limited to Energy Science Artist Holding Limited as approved by the Company's board of directors, with a consideration of \$0.

On March 28, 2023, the Company acquired 100% of the equity interest in Atomic Evolution Limited from Energy Science Artist Holding Limited for a total consideration of \$0. The acquisition was made to explore potential business opportunities in the area of SMR.

Subsequently, as part of the Group's strategic decision to focus on its core business operations, the Company's board of directors approved the disposal of Atomic Evolution Limited. On December 25, 2023, the Company transferred its entire equity interest in Atomic Evolution Limited back to Energy Science Artist Holding Limited for a consideration of \$0.

This transaction was conducted on a non-cash, non-arm's-length basis between parties under common control. The \$0 consideration reflects the absence of active operations, assets, or liabilities in Atomic Evolution Limited at the time of acquisition and disposal. No independent fair value assessment was deemed necessary due to the lack of commercial activity or intrinsic value.

17. Segment Information

The Company applies ASC 280, *Segment Reporting*, in determining its reportable segments. The Company has four reportable segments: equipment sales, hosting, mining pool business and mining. The guidance requires that segment disclosures present the measure(s) used by the Chief Operating Decision Maker ("CODM") to decide how to allocate resources and for purposes of assessing such segments' performance. The Company's CODM is comprised of several members of its executive management team who use revenue and cost of revenues of our four reporting segments to assess the performance of the business of our reportable operating segments. As a result, the Company has four reportable segments, including equipment sales, hosting, mining pool business and mining.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

17. Segment Information (cont.)

The following table details revenue and cost of revenues for the Company's reportable segments for the year ended December 31, 2024, 2023 and 2022, and reconciles to net income (loss) in the consolidated statements of operations:

	For the year ended December 31,		
	2022	2023	2024
	US\$	US\$	US\$
Reportable segment revenue:			
Revenue – sales of products	\$ 8,626	\$ 4,802	\$ 2,503
Revenue – hosting service	1,303	366	52
Revenue – mining pool	676	308	69
Revenue – mining revenue	33	1,300	2,919
Total segment and consolidated revenue	10,638	6,776	5,543
Reportable segment cost of revenue			
Cost of revenues – sales of products	7,748	4,290	2,276
Cost of revenues – hosting service	1,054	329	38
Cost of revenues – mining pool	676	308	68
Cost of revenues – mining revenue	20	1,392	4,171
Total segment and consolidated cost of revenues	9,498	6,319	6,553
Reconciling Items:			
Selling, general and administrative expenses	(7,178)	(6,837)	(6,257)
Research development expenses	(476)	(853)	(642)
Impairment of long-lived assets	(951)	(138)	—
Other income/(expense)	(1,380)	1,251	2,023
Income tax expense	—	—	—
Net loss	\$ (8,845)	\$ (6,120)	\$ (5,886)

18. Subsequent Events

On March 17, 2025, the Company effected a reverse stock split at a ratio of 15-to-1. All the shares and share price in the accompanying consolidated financial statements and notes have been retroactively adjusted to reflect the effect of the reverse stock split.

19. Parent Only Information

SAI.TECH Global Corporation (the "Parent Company") was incorporated on January 26, 2021, and have become parent company of the Company since the completion of the Business Combination on April 29, 2022. Following the closing of the Business Combination, SAITECH Limited became a wholly owned subsidiary of TradeUP Global Corporation ("TradeUP"), which subsequently renamed to "SAI.TECH Global Corporation". The transaction is accounted for as a recapitalization, SAITECH Limited is determined as the predecessor and the historical financial statements of SAITECH Limited became the Company's historical financial statements, and SAI.TECH Limited's financial statements are determined as the Company's Parent Company financial statements. See Note 1a – "Reverse recapitalization" for more information.

The following disclosures presented the financial positions of the Parent Company as of December 31, 2023 and 2024, and results of operations and cash flows for the years ended December 31, 2024, 2023 and 2022, as if the current corporate structure has been in existence throughout the periods presented.

The audited condensed financial statements of the Parent Company have been prepared using the same accounting policies as set out in the Company's consolidated financial statements.

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

19. Parent Only Information (cont.)

Condensed Balance Sheets
(In thousands, except for share and per share data, or otherwise stated)

	As of December 31, 2023 <u>US\$</u>	As of December 31, 2024 <u>US\$</u>
Assets		
Cash	453	313
Amount due from subsidiaries and VIE	—	—
Accounts receivable	230	—
Other receivables	332	—
Amounts due from related parties	23,189	23,790
Long-term investment	50	50
Investments in subsidiaries and VIE	—	—
Crypto Assets	841	403
Operating lease right-of-use assets	10	—
Total Assets	25,105	24,556
Liabilities		
Accounts payable	21	72
Accrued payroll	186	22
Operating lease liabilities-current	11	1
Operating lease liabilities-non-current	—	—
Investments in subsidiaries and VIE	8,067	10,095
Total Liabilities	8,285	10,190
Equity:		
Class A Common Shares, \$0.0015 par value; 22,024,624 shares authorized, 1,110,907 and 1,013,163 shares issued and outstanding in December 31, 2024 and December 31, 2023.	1	1
Class B Ordinary shares (\$0.0015 par value; 642,043 shares authorized and outstanding on December 31, 2024 and December 31, 2023)	1	1
Additional paid-in capital	48,680	52,137
Statutory reserves	—	—
Retained earnings/(accumulated deficit)	(31,345)	(37,231)
Accumulated other comprehensive income/(loss)	(517)	(542)
Total equity	16,820	14,366
Total Liabilities and Equity	25,105	24,556

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

19. Parent Only Information (cont.)

Condensed Statements of Operations
(In thousands, except otherwise stated)

	For the year ended December 31,		
	2022	2023	2024
	US\$	US\$	US\$
Revenue	2,608	1,497	1,015
Cost of revenue	(2,268)	(1,134)	(919)
General and administrative expenses	(3,502)	(1,583)	(1,025)
Sales and marketing expenses	(150)	(63)	(34)
R&D expenses	(6)	—	—
Asset impairment loss	(19)	—	—
Other expense, net	(885)	31	13
Share of loss from subsidiaries and VIE	(4,623)	(4,868)	(4,936)
Net loss	(8,845)	(6,120)	(5,886)

SAIHEAT LIMITED
NOTES TO FINANCIAL STATEMENTS
(In thousands, except for number of shares and per share data)

19. Parent Only Information (cont.)

Condensed Statements of Cash Flows
(In thousands, except otherwise stated)

	For the year ended December 31,		
	2022	2023	2024
	US\$	US\$	US\$
Cash flows used in operating activities	(4,579)	(2,150)	461
Investment in subsidiaries and VIE	—	—	—
Collection of due from/(increase in due from) subsidiaries and VIE	(9,007)	(6,782)	(601)
Cash flows used in investing activities	(9,007)	(6,782)	(601)
Proceeds from issuance of redeemable preferred shares	—	—	—
Reverse Recapitalization	19,652	9	—
Cash flows from financing activities	19,652	9	—
Effect of exchange rate changes	—	—	—
Net change in cash and cash equivalents	6,066	(8,923)	(140)
Cash and cash equivalents at beginning of the period	3,310	9,376	453
Cash and cash equivalents at end of the period	9,376	453	313

**SALTECH GLOBAL CORPORATION
CODE OF ETHICS AND CONDUCT**

Effective as of April 29, 2022

1. Overview

As a public company, we have a responsibility to ensure that our filings with the Securities and Exchange Commission (the “**SEC**”) and other public communications are timely and accurate. We expect each of our directors and officers and other employees to take this responsibility very seriously and act in accordance with the highest standards of personal and professional integrity in all aspects of their work related to our financial reporting. In addition, our Board of Directors, Chief Executive Officer and Chief Financial Officer each have a special responsibility both to adhere to these principles themselves and to ensure that a culture exists throughout our organization as a whole, which ensures accurate and timely financial reporting. Because of these and other responsibilities, each of our directors, officers and other employees are bound by this Code of Business Ethics. Each person agrees that he or she will:

- Engage in honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Produce full, fair, accurate, timely and understandable disclosure in reports and documents that we file with or submit to the Securities and Exchange Commission and in other public communications we make;
- Comply with applicable governmental laws, rules and regulations;
- Promptly report any violations of this Code of Business Ethics to our Chief Legal Officer or Audit Committee;
- Adhere to the Code of Business Ethics, including fair process by which to determine violations; and
- Protect the Company’s legitimate business interests, including its assets and corporate opportunities.

2. Honest and Ethical Conduct

Each director, officer and employee owes a duty to SALTECH Global Corporation (together with its subsidiaries, the “**Company**”) to act with integrity. Integrity requires, among other things, being honest and ethical. This includes the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. Deceit and subordination of principle are inconsistent with integrity. Each director, officer and employee must:

- act with integrity, including being honest and ethical while still maintaining the confidentiality of information where required or consistent with the Company’s policies;

- observe both the form and spirit of laws and governmental rules and regulations and accounting standards; and
- adhere to a high standard of business ethics.

3. **Anti-Bribery / Anti-Corruption**

The Company is committed to comply with the highest ethical standards, including anti-bribery and anti-corruption obligations. As such, each director, officer, and employee shall not solicit, receive, give, or offer bribes, kickbacks, inappropriate gifts or engage in other corrupt practices to obtain or maintain business or favors.

In particular, Company's directors, officers, or employees shall not authorize, provide, promise, or offer to provide anything of value to a third party for the purpose or with the intent of improperly influence his or her decisions or improperly perform his or her functions. "**Third party**" includes customers, vendors, suppliers, agents, distributors, developers, local or foreign governments, agencies, political organizations, political candidates, etc.

No Company directors, officers, or employees, shall request, agree to receive, or accept money or anything of value with the intent of being influenced in the performance of their functions. For that purpose, any gift with a value over \$100 U.S. Dollar, received by a director, officer, or employee in connection with the Company's business must be immediately reported to the Chief Legal Officer.

4. **Conflicts of Interest**

A "**conflict of interest**" arises when an individual's personal interest interferes or appears to interfere with the interests of the Company. A conflict of interest can arise when a director, officer or employee takes actions or has personal interests that may make it difficult to perform his or her Company work objectively and effectively. Any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest should be discussed with the Chief Legal Officer. Interests in other companies, including potential competitors and suppliers, that are purely for investment purposes, are not significant to the individual and do not include involvement in the management of the other entity, or where an otherwise questionable relationship is disclosed to the Company's board of directors and any necessary action is taken to ensure there will be no effect on the Company, are not considered conflicts unless otherwise determined by our board of directors. Fidelity or service to the Company should never be subordinated to or dependent on personal gain or advantage. Conflicts of interest should, whenever possible, be avoided. In most cases, anything that would constitute a conflict for a director, officer or employee also would present a conflict if it is related to a member of his or her family.

5. Disclosure

Each director, officer or employee, to the extent involved in the Company's disclosure process, including the Chief Executive Officer and the Chief Financial Officer (the "*Senior Financial Officers*"), is required to be familiar with the Company's disclosure controls and procedures and internal control over financial reporting, to the extent relevant to his or her area of responsibility, so that the Company's public reports and documents filed with the SEC comply in all material respects with the applicable federal securities laws and SEC rules. In addition, each such person having direct or supervisory authority regarding these SEC filings or the Company's other public communications concerning its general business, results, financial condition and prospects should, to the extent appropriate within his or her area of responsibility, consult with other Company officers and employees and take other appropriate steps regarding these disclosures with the goal of making full, fair, accurate, timely and understandable disclosure. Each director, officer or employee, to the extent involved in the Company's disclosure process, including without limitation the Senior Financial Officers, must:

- familiarize himself or herself with the disclosure requirements applicable to the Company as well as the business and financial operations of the Company; and
- not knowingly misrepresent, or cause others to misrepresent, facts about the Company to others, whether within or outside the Company, including to the Company's independent auditors, governmental regulators and self-regulatory organizations.

6. Compliance

It is the Company's policy to comply with all applicable laws, rules and regulations. It is the personal responsibility of each employee, officer and director to adhere to the standards and restrictions imposed by those laws, rules and regulations in the performance of their duties for the Company, including those relating to accounting and auditing matters and insider trading. Generally, it is against Company policy for any individual to profit from undisclosed information relating to the Company or any other company in violation of insider trading or other laws. Anyone who is aware of material nonpublic information relating to the Company, our customers, or other companies may not use the information to purchase or sell securities in violation of the federal securities laws. If you are uncertain about the legal rules involving your purchase or sale of any Company securities or any securities in companies that you are familiar with by virtue of your work for the Company, you should consult with the Company's Legal Department before making any such purchase or sale. Other policies issued by the Company also provide guidance as to certain of the laws, rules and regulations that apply to the Company's activities.

7. Reporting and Accountability

Reports of observed or suspected violations of this Code of Business Ethics will be investigated promptly, thoroughly and in accordance with our legal obligations. Confidentiality is maintained to the fullest extent possible. We are all obliged to cooperate with investigations and provide complete, accurate and truthful information. Violations of this Code of Business Ethics, which include failure to report potential violations by others, may be viewed as a severe disciplinary matter that may result in disciplinary action, up to and including termination of employment. Waivers of this Code of Business Ethics applicable to our directors and executive officers must be approved by our Board of Directors and will be publicly disclosed if granted. Waivers of this Code of Business Ethics to all other employees must be approved by the Chief Legal Officer. It is a violation of this Code of Business Ethics to retaliate against any employee for good faith reporting of violations of this code or cooperating in an investigation.

8. Corporate Opportunities

Each of our directors, officers and other employees owe a duty to the Company to advance the legitimate interests of the Company when the opportunity to do so arises. Each of our directors, officers and other employees is prohibited from directly or indirectly (a) taking personally for themselves opportunities that are discovered through the use of Company property, information or positions; (b) using Company property, information or positions for personal gain; and (c) competing with the Company.

9. Confidentiality

In carrying out the Company's business, each of our directors, officers and other employees may learn confidential or proprietary information about the Company, its customers, distributors, suppliers, or joint venture partners. Confidential or proprietary information includes all non-public information relating to the Company, or other companies, that would be harmful to the relevant company or useful or helpful to competitors if disclosed. Each of our directors, officers and other employees must maintain the confidentiality of all information entrusted to them, except when disclosure is authorized or legally mandated.

10. Fair Dealing

Each of our directors, officers and other employees should endeavor to deal fairly with the Company's customers, service providers, suppliers, competitors and employees. No director, officer and other employee may take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practice.

11. Protection and Proper Use of Company Assets

Each of our directors, officers and other employees should protect the Company's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. All Company assets should be used for legitimate business purposes.

12. No Rights Created

This Code of Business Ethics is a statement of certain fundamental principles, policies and procedures that govern the Company's directors, officers and other employees in the conduct of the Company's business. It is not intended to and does not create any rights in any employee, customer, client, visitor, supplier, competitor, shareholder or any other person or entity. It is the Company's belief that the policy is robust and covers most conceivable situations.

**SALTECH GLOBAL CORPORATION
POLICY REGARDING INSIDER TRADING AND
DISSEMINATION OF INSIDE INFORMATION**

Effective as of April 27, 2022

1. INTRODUCTION

This Policy Regarding Insider Trading and Dissemination of Inside Information (this “*Policy*”) describes the policy of SAI.TECH Global Corporation (the “*Company*”) regarding:

- the trading of securities while you are in possession of Inside Information (as defined below) (“*insider trading*”) about the Company or any other company; and
- other misuse of material non-public information (“*Inside Information*”) of the Company or any other company.

Your obligations and potential liability under securities laws dealing with insider trading abuses are also outlined below.

This Policy provides an overview of the most significant aspects involved in insider trading. Every director, officer and employee of the Company must read and retain this Policy.

2. STATEMENT OF THE POLICY

No director, officer, employee or other Insider (as defined below) shall:

- trade in securities of the Company or any other company while in possession of Inside Information concerning the Company or such other company;
- disseminate Inside Information of the Company or any other company to others (except for legitimate Company purposes in accordance with Company communications policies; provided that the disclosing person reasonably does not expect the recipient to trade in securities, or disseminate the information to others who may trade in securities, while in possession of such Inside Information); or
- engage in any other action or conduct to take advantage of Inside Information.

The prohibited dissemination of Inside Information includes the disclosure through written, oral or electronic means to all persons or entities, including friends, family members, business contacts or others.

Even the appearance of improper conduct must be avoided to preserve the Company’s reputation for adhering to high ethical standards of conduct. Accordingly, conduct which merely suggests the possibility of insider trading may be deemed by the Company, in its sole discretion, to be a violation of this Policy.

3. FEDERAL LAW PROHIBITING INSIDER TRADING

Rule 10b-5 under the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), has been determined by the courts to prohibit trading by an Insider (as defined below) of any securities (debt or equity) of a company on the basis of Inside Information about such company. Liability under Rule 10b-5 can apply to trading in the Company’s securities or the securities of any other company if one is in possession of Inside Information about the company whose securities are traded. **The prohibition against insider trading applies to the Company’s officers, directors, employees and other Insiders at all times regardless of whether or not the Company is observing a scheduled or special “blackout” period.**

Liability under Rule 10b-5 may attach not only to Insiders who trade while in possession of Inside Information, but also, under certain circumstances, to (i) Insiders who disclose or tip Inside Information (tippees) to third parties without trading themselves, and (ii) third parties (such as relatives, business associates or friends) who have received Inside Information from Insiders (tippees) and trade while in possession of that Inside Information.

4. THE CONSEQUENCES OF INSIDER TRADING

Individuals who trade on material non-public information (or tip information to others) can be subject to an array of civil and criminal penalties. Violations are taken very seriously by the U.S. Securities and Exchange Commission, the federal agency responsible for enforcing the law in this area. Potential sanctions include:

- disgorgement of profits gained or losses avoided and interest thereon;
- a civil penalty of up to three times the profit gained or loss avoided;
- a bar from acting as an officer or director of a publicly traded company;
- a criminal fine (no matter how small the profit or the lack thereof) of up to \$1 million; and
- a jail term of up to ten years.

These penalties can apply even if the individual is not a director, officer or senior manager. In addition to the potentially severe civil and criminal penalties for violation of the insider trading laws, violation of this Policy may result in the imposition of Company sanctions, including dismissal. A conviction or finding of liability for insider trading can also result in individuals being banned generally from employment in the securities or financial industries or other employment, and even a mere allegation of insider trading can result in severe harm to one’s professional and personal reputation.

A transaction that may be necessary or seem justifiable for independent reasons (including a need to raise money for a personal financial emergency) is neither an exception to this Policy nor a safeguard against prosecution for violation of insider trading laws.

For a company (as well as possibly any supervisory person) that fails to take appropriate steps to prevent illegal trading, a civil penalty of the greater of \$1 million or three times the profit gained or loss avoided as a result of an employee’s violation and a criminal fine of up to \$2.5 million may be imposed. There are also likely to be shareholder lawsuits and adverse publicity arising from such illegal conduct.

5. WHO IS AN “INSIDER” FOR PURPOSES OF THE INSIDER TRADING PROHIBITIONS?

An “*Insider*” for purposes of insider trading law is any person who possesses Inside Information; the status results from such possession and not simply a person’s position, if any, with the Company. Accordingly, Insiders subject to liability for insider trading are not solely those executive officers and directors who are required to report their securities transactions of Company common stock under Section 16 of the Exchange Act and who are also often referred to as “insiders” for purposes of that law. The category of potential Insiders for purposes of insider trading law includes not only the Company’s directors, officers and employees, but also outside professional advisors and business consultants who have access to Inside Information prior to its public release and absorption by the securities markets.

6. PERSONS COVERED BY THE POLICY

This Policy covers the directors, officers and employees of the Company, and outside professional advisors and business consultants of the Company who have access to Inside Information of the Company, as well as their Family Members and Controlled Entities.

“*Family Members*” include a person’s spouse, partner, financially dependent children, relative, or other members of such person’s immediate household to whose support such person contributes or whose investments such person controls.

“*Controlled Entities*” include any legal entities controlled by a person, such as any corporations, partnerships, or trusts.

7. INDIVIDUAL RESPONSIBILITY

Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of Inside Information and to not trade while in possession of Inside Information. Each individual is responsible for making sure that he or she complies with this Policy, and that any Family Member or Controlled Entity also complies with this policy. In all cases, the responsibility for determining whether an individual is in possession of Inside Information rests with that individual, and any action on the part of the Company, the Administrator (as defined under the caption “Administration of the Policy”) or any other employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. You could be subject to severe legal penalties and disciplinary action by the Company for any conduct prohibited by this Policy or applicable securities laws, as described above in more detail under the heading “The Consequences of Insider Trading.”

8. TRANSACTIONS COVERED BY THIS POLICY

The trading covered by this Policy includes all types of transactions and securities, including common stock, options or warrants to purchase common stock, or any other type of securities, including (but not limited to) preferred stock, convertible debentures, as well as derivative securities that are issued by third parties, such as exchange-traded put or call options or swaps relating to securities of the Company or another company with respect to which an Insider possesses Inside Information.

9. WHAT IS MATERIAL NON-PUBLIC INFORMATION?

Material information is any information that a reasonable investor would consider important in arriving at a decision to buy, sell or hold the securities of a company and/or would view its disclosure as significantly altering the total mix of information otherwise made available.

Non-Public information is information that is not generally known to the public.

Examples. Examples of non-public information that generally would be regarded as material and thus Inside Information include:

- financial information, such as revenues, expenses, earnings, new sales or investment returns;
- information about a transaction that will affect the financial condition or performance of the company in a significant manner, such as a pending or proposed merger, acquisition, tender offer, sale of assets, or disposition of a subsidiary, or entering into or terminating a significant contract;
- earnings estimates;
- a stock split or the offering of additional securities;
- major litigation;
- changes in senior management;
- major new products; and
- the gain or loss of a substantial customer.

Either positive or negative information may be material. The foregoing list is not exhaustive; other types of information may be material at any particular time, depending upon all the circumstances.

10. TRADING

Directors, officers who have been designated by the Company's Board of Directors (the "**Board**") as "officers" for purposes of Section 16 of the Exchange Act (collectively with the directors, "**Section 16 Reporting Persons**") and certain other employees who may be designated by the Administrator from time to time ("**Designated Individuals**"), as well as their Family Members and Controlled Entities, may not trade Company securities during scheduled "blackout" periods commencing on the fifteenth day of the month in which a fiscal quarter ends and ending at the close of regular trading on the second full Trading Day after the release of quarterly or annual earnings. Trading may occur outside the blackout period unless prohibited under this insider trading policy due to possession of Inside Information or other restriction.

"**Trading Day**" means a day on which the principal U.S. stock exchange on which shares of the Company's common stock are then listed is open for trading.

For example, if Inside Information (including quarterly or annual earnings) is disclosed at (a) 8:00 a.m., Eastern Time, on a Monday, then trading may commence after 4:00 p.m., Eastern Time, on Tuesday, (b) 10:00 a.m., Eastern Time, on Monday, then trading may commence after 4:00 p.m., Eastern Time, on Wednesday or (c) 5:00 p.m., Eastern Time, on Monday, then trading may commence after 4:00 p.m., Eastern Time, on Wednesday.

Please refer to the paragraph below captioned "Additional Procedures" for additional restrictions on trading.

11. TRANSACTIONS NOT SUBJECT TO THIS POLICY

A. Bona Fide Gifts

Bona fide gifts are not transactions subject to this Policy, unless the person making the gift has reason to believe that the recipient intends to sell the Company securities while the person making the gift is aware of Inside Information or during a blackout period to which the person making the gift is subject; provided that bona fide gifts of Company securities by directors, officers who are Section 16 Reporting Persons and Designated Individuals are subject to the pre-clearance procedures set forth below under the caption "Additional Procedures."

B. Option Exercises

This Policy does not apply to the exercise of an employee option acquired pursuant to the Company's plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold stock subject to an option to satisfy tax withholding requirements; provided that such exercises by Section 16 Reporting Persons and Designated Individuals are subject to the pre-clearance procedures set forth below under the caption "Additional Procedures." This Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

C. Restricted Stock Awards

This Policy does not apply to the exercise of a tax withholding right pursuant to which you elect to have the Company withhold stock to satisfy tax withholding requirements upon the vesting of any restricted stock; provided that such exercise by Section 16 Reporting Persons and Designated Individuals is subject to the pre-clearance procedures set forth below under the caption "Additional Procedures." This Policy does apply, however, to any market sale of restricted stock.

D. Mutual Funds

Transactions in mutual funds that are invested in securities of the Company or another company with respect to which an Insider possesses Inside Information are not transactions subject to this Policy.

E. Other Similar Transactions

Any other purchase of Company securities from the Company or sales of Company securities to the Company are not subject to this Policy.

F. Rule 10b5-1 Plans

Securities trading pursuant to contracts, plans or instructions complying with the requirements of Rule 10b5-1(c)(1) under the Exchange Act ("**Rule 10b5-1 Plans**") and entered into in good faith while the person entering into the Rule 10b5-1 Plan is not in possession of Inside Information is not subject to this Policy, provided that the adoption and maintenance of any such Rule 10b5-1 Plan by such person must be approved by the Administrator and must comply with the requirements of Rule 10b5-1(c)(1).

12. SPECIAL AND PROHIBITED TRANSACTIONS

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. Therefore any persons covered by this Policy must comply with the following:

A. Hedging Transactions

Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such hedging transactions may permit a director, officer or employee to continue to own Company securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same objectives as the Company's other shareholders. Therefore, directors, officers and employees, as well as their Family Members and Controlled Entities, are prohibited from engaging in any such transactions.

B. Margin Accounts and Pledged Securities

In order to avoid a margin sale or foreclosure sale at a time when a pledgor, who is a Company director, officer or employee, or their Family Members or Controlled Entities, is aware of Inside Information or otherwise is not permitted to trade Company securities due to a blackout period, no Company director, officer or employee, or their Family Members or Controlled Entities, may hold Company securities in a margin account or otherwise pledge (or hypothecate) Company securities as collateral for a loan without first obtaining prior approval from the Administrator. Pre-clearance is required for such transactions because Company securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call and Company securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Any Company director, officer or employee, or their Family Members or Controlled Entities, preparing to pledge Company securities or hold such securities in a margin account must submit a request for approval to the Administrator at least two weeks prior to the proposed execution of documents evidencing the proposed pledge or margin account. In its request, such Company director, officer or employee, or their Family Members or Controlled Entities, shall:

- enclose copies of the governing documents evidencing the proposed pledge or margin account, which governing documents must provide such person with the opportunity to substitute or provide additional collateral or to repay the loan before the pledged Company securities may be sold;
- undertake to the Company (in form and manner satisfactory to the Administrator and the Company) (i) to maintain adequate financial capacity to repay the loan or cover the margin call, as applicable, without resort to the pledged Company securities and (ii) to substitute or provide additional collateral or repay the loan in the event of a borrower default or margin call, as applicable, at a time when such person is aware of Inside Information or otherwise is not permitted to trade Company securities due to a blackout period; and
- undertake to provide to the Company such information as the Administrator and the Company may reasonably request to demonstrate the ability to satisfy the undertakings set forth in clauses (i) and (ii) above.

The above is not meant to restrict the rehypothecation or lending of securities held in a brokerage account; provided that the securities are permitted to be held in such account in accordance with this Policy.

13. ADDITIONAL PROCEDURES

The Company has established additional procedures in order to assist the Company in the administration of this Policy, to facilitate compliance with laws prohibiting insider trading while in possession of Inside Information, and to avoid the appearance of any impropriety. These additional procedures are applicable only to those individuals described below.

A. Pre-Clearance Procedures

Section 16 Reporting Persons and Designated Individuals, as well as their Family Members and Controlled Entities, may not engage in any transaction in Company securities without first obtaining pre-clearance of the transaction from the Administrator in order to determine compliance with this Policy, insider trading laws, Section 16 of the Exchange Act and Rule 144 promulgated under the Securities Act of 1933, as amended ("**Rule 144**"). A person requesting pre-clearance should submit the request to the Administrator (and, in the case of a request by the Chief Executive Officer, also notify the Chief Financial Officer) at least two business days in advance of the proposed transaction. The Administrator may determine not to permit the transaction if it is not in compliance this Policy, insider trading laws, Section 16 of the Exchange Act or Rule 144. If a person seeks pre-clearance and permission to engage in the transaction is denied, then he or she should refrain from initiating any transaction in Company securities, and should not inform any other person of the restriction.

When a request for pre-clearance is made, the requestor should carefully consider whether he or she may be aware of any Inside Information about the Company, and should describe fully those circumstances to the Administrator. If the requestor is a Section 16 insider, the requestor should also indicate whether he or she has effected any non-exempt “opposite- way” transactions within the past six months, and should be prepared to report the proposed transaction on an appropriate Form 4 or Form 5. The requestor should also be prepared to comply with Rule 144 and file Form 144, if necessary, at the time of any sale.

B. Special Blackout Periods

From time to time, an event may occur that is material to the Company and is known by only a few directors, officers and/or employees. So long as the event remains material and nonpublic, the persons with knowledge of the event who are designated by the Administrator may not trade Company securities. In that situation, the Administrator may notify these persons that they should not trade in the Company’s securities, without disclosing the reason for the restriction. The existence of an event-specific blackout period or extension of a blackout period may not be announced to the Company as a whole, and should not be communicated to any other person. Even if the Administrator has not designated you as a person who should not trade due to an event-specific restriction, you should not trade while aware of Inside Information.

14. POST-TERMINATION TRANSACTIONS

If an individual is in possession of Inside Information or subject to any blackout period or other Company-imposed trading restrictions when his or her service terminates, that individual may not trade in Company securities until that information has become public, is no longer material or such blackout period or Company-imposed trading restriction has expired.

15. ADMINISTRATION OF THIS POLICY

The Company’s Chief Financial Officer, or in his or her absence, the Chair of the Audit Committee, or with respect to matters involving any of the Company’s executive officers or directors, the Audit Committee (the “*Administrator*”), shall be responsible for administration of this Policy, including the matters for which the Administrator is specifically designated herein as administering or deciding and all other matters. All determinations and interpretations by the Administrator shall be subject to review by the Audit Committee, whose determinations shall be final.

16. COMPANY ASSISTANCE / REPORTING OF VIOLATIONS

Any person who has any questions about this Policy or about specific transactions may obtain additional guidance from the Administrator. You should contact the Administrator immediately if you know or have reason to believe that this Policy has been or is about to be violated.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER (PRINCIPAL EXECUTIVE OFFICER)
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Risheng Li, certify that:

1. I have reviewed this annual report on Form 20-F of SAIHEAT Limited (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 28, 2025

By: /s/ Risheng Li

Name: Risheng Li

Title: Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL OFFICER)
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Risheng Li, certify that:

1. I have reviewed this annual report on Form 20-F of SAIHEAT Limited (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 28, 2025

By: /s/ Risheng Li

Name: Risheng Li

Title: Acting Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of SAIHEAT Limited (the "Company") on Form 20-F for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, Risheng Li, 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 the best of my knowledge:

(1) The Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2025

By: /s/ Risheng Li

Name: Risheng Li

Title: Chief Executive Officer

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of SAIHEAT Limited (the "Company") on Form 20-F for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, Risheng Li, Acting 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 the best of my knowledge:

(1) The Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2025

By: /s/ Risheng Li

Name: Risheng Li

Title: Acting Chief Financial Officer

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form F-3 (No 333-272916) of our report dated April 28, 2025, relating to the consolidated financial statements of SAIHEAT Limited, appearing in this Annual Report on Form 20-F for the year ended December 31, 2024.

/s/ Audit Alliance LLP

Singapore
April 28, 2025

SAIHEAT LIMITED CLAWBACK POLICY

SAIHEAT LIMITED (the “Company”) will recover reasonably promptly the amount of erroneously awarded incentive-based compensation in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (an “accounting restatement”).

This policy applies to all incentive-based compensation received by a person:

- (1) after beginning service as an executive officer;
- (2) who served as an executive officer at any time during the performance period for that incentive-based compensation;
- (3) while the Company has a class of securities listed on a national securities exchange or a national securities association; and
- (4) during the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement; provided that this policy also applies to any transition period that results from a change in the Company’s fiscal year within or immediately following the three completed fiscal year period; provided further that a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year; provided further that this policy will only apply to incentive-based compensation received on or after October 2, 2023.

Incentive-based compensation is deemed received in the Company’s fiscal year during which the financial reporting measure specified in the incentive-based compensation award is attained, even if the payment or grant of the incentive-based compensation occurs after the end of that period.

For purposes of determining the relevant recovery period, the date that the Company is required to prepare an accounting restatement is the earlier to occur of:

- (1) the date the Company’s board of directors, a committee of the board of directors, or the officer or officers of the Company authorized to take such action if board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement; or
 - (2) the date a court, regulator, or other legally authorized body directs the Company to prepare an accounting restatement.
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The amount of incentive-based compensation that is subject to recovery under this policy (“erroneously awarded compensation”) is the amount of incentive-based compensation received that exceeds the amount of incentive-based compensation that otherwise would have been received had it been determined based on the restated amounts. The amount of incentive-based compensation that is subject to recovery will be computed without regard to any taxes paid. For incentive-based compensation based on stock price or total shareholder return, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement:

(1) the amount will be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the incentive-based compensation was received; and

(2) the Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to the Nasdaq Stock Market (“Nasdaq”).

The Company will recover erroneously awarded compensation in accordance with this policy, except to the extent that any of the following conditions are met and the Company’s Compensation Committee has made a determination that recovery would be impracticable:

(1) the direct expense paid to a third party to assist in enforcing this policy would exceed the amount to be recovered; *provided* that before concluding that it would be impracticable to recover any amount of erroneously awarded compensation based on expense of enforcement, the Company will make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover and provide such documentation to Nasdaq;

(2) recovery would violate home country law where that law was adopted prior to November 28, 2022; *provided* that before concluding that it would be impracticable to recover any amount of erroneously awarded compensation based on violation of home country law, the Company will obtain an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation and provide such opinion to the Nasdaq; or

(3) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

The Company will not indemnify any executive officer or former executive officer against the loss of erroneously awarded compensation.

The Company will provide the required disclosures with respect to this policy in applicable Securities and Exchange Commission filings in accordance with the requirements of applicable securities laws on or after October 2, 2023.

For purposes of this policy, the following terms have the definitions set forth below:

“Executive officer” means the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Executive officers of the Company’s parent(s) or subsidiaries are deemed executive officers of the Company if they perform such policy making functions for the Company.

“Financial reporting measures” means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission.

“Incentive-based compensation” means compensation that is granted, earned or vested based wholly or in part upon the attainment of a financial reporting measure.

This policy is not intended to limit the Company’s ability to pursue other means to recover damages resulting from wrongdoing. The Company retains all rights it may have under applicable law.

This policy may be amended from time to time in the Company’s sole discretion.

Notwithstanding the foregoing, this policy will be interpreted to comply with the applicable securities laws, including the requirements of (1) Section 10D of the Securities Exchange Act of 1934 (the “Exchange Act”), (2) Rule 10D-1 under the Exchange Act, and (3) the listing standards adopted by Nasdaq pursuant to Rule 10D-1, and, to the extent this policy is in any manner deemed inconsistent with such requirements, this policy shall be treated as retroactively amended to be compliant with such requirements.