

REFINITIV

# DELTA REPORT

## 10-Q

MPU - MEGA MATRIX CORP.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1306
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 CHANGES	73
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 DELETIONS	550
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 ADDITIONS	683
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **September 30, 2023** **March 31, 2024**

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

**Commission File Number: 001-13387**

**MEGA MATRIX CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**

**94-3263974**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification Number)

3000 El Camino Real,  
Bldg. 4, Suite 200, Palo Alto, CA

**94306**

(Address of principal executive offices)

(Zip Code)

**(650) 340-1888**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	MPU	NYSE American Exchange LLC

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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" 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"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Emerging growth ☐  
company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of registrant's common stock outstanding as of November 7, 2023 May 6, 2024 was 31,724,631. 35,978,581.

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MEGA MATRIX CORP.

FORM 10-Q

For the Quarterly Period Ended September 30, 2023 March 31, 2024

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## SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements in this report other than statements of historical fact are forward-looking statements for purposes of these provisions, including any statements of the Company’s plans and objectives for future operations, the Company’s future financial or economic performance (including known or anticipated trends), and the assumptions underlying or related to the foregoing. Statements that include the use of terminology such as “may,” “will,” “expects,” “plans,” “anticipates,” “estimates,” “potential,” “projected,” “intends,” “believes,” or “continue,” or the negative thereof, or other comparable terminology, are forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned “Risk Factors” in our Annual Report on Form 10-K (“Form 10-K”), filed with the Securities and Exchange Commission (SEC) (“SEC”) on March 31, 2023 March 18, 2024. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. You should read these factors and the other cautionary statements made in this report and in the documents we incorporate by reference into this report as being applicable to all related forward-looking statements wherever they appear in this report or the documents we incorporate by reference into this report. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

Any forward-looking statements contained in this Quarterly Report are only estimates or predictions of future events based on information currently available to our management and management’s current beliefs about the potential outcome of future events. Whether these future events will occur as management anticipates, whether we will achieve our business objectives, and whether our revenues, operating results or financial condition will improve in future periods are subject to numerous risks. There are a number of important factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements. These important factors include those that we discuss under the heading “Risk Factors” in this Quarterly Report and in other reports filed from time to time with the SEC that are incorporated by reference into this Quarterly Report. You should read these factors and the other cautionary statements made in this Quarterly Report and in the documents which we incorporate by reference into this Quarterly Report as being applicable to all related forward-looking statements wherever they appear in this Quarterly Report or the documents we incorporate by reference into this Quarterly Report. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

All forward-looking statements and descriptions of risks included in this report are made as of the date hereof based on information available to the Company as of the date hereof, and except as required by applicable law, the Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, consult the risks and other disclosures described in the reports the Company files from time to time with the SEC after the date of this report for updated information.

## NOTE

On March 25, 2022, we changed our name from AeroCentury Corp. to Mega Matrix Corp. All references in this Quarterly Report, unless the context indicates otherwise, to “AeroCentury” refers to AeroCentury Corp. and the “Company,” “we,” “us,” and/or “our” refers to AeroCentury together with its consolidated subsidiaries prior to March 25, 2022 and renamed “Mega Matrix Corp.” commencing on March 25, 2022, and, except where expressly noted otherwise or the context otherwise requires, its consolidated subsidiaries.

## LIMITATIONS OF KEY METRICS AND OTHER DATA

The numbers for our key metrics, which include our quarterly active users (QAU), quarterly paying users (QPU), average membership and top-up streaming service revenue per active user (ARPU), and average membership and top-up streaming service revenue per paying user (ARPPU), are calculated using internal company data based on the activity of user accounts. We define an

active user as a user who has downloaded and opened FlexTV app at least once. We define a paying user as a user who has registered for a membership or topping up, provided a method of payment, and is entitled to access FlexTV services (this membership or topping up does not include participation in free trials or other promotional offers extended by FlexTV to new users). We define ARPU as average membership and top-up streaming services revenue generated by each active user in one quarter. We define ARPPU as average membership and top-up streaming services revenue generated by each paying user in one quarter. We use these metrics to assess the growth and health of the overall business and believe that ARPU best reflects our ability to attract, retain, engage and monetize our users, and thereby drive revenue. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world. In addition, we are continually seeking to improve our estimates of our user base, and such estimates may change due to improvements or changes in technology or our methodology.

## PART I - Financial Information

### Item 1. Financial Statements

#### MEGA MATRIX CORP. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (Rounded to the Nearest Hundred US Dollar, except for share and per share data, unless otherwise stated)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 1,967,000	\$ 7,263,600	\$ 2,851,100	\$ 3,129,800
Stable coins	9,700	2,972,000	3,146,300	254,400
Digital assets	5,036,600	459,300	7,851,100	7,696,700
Due from a related party	37,100	-		
Taxes receivable	-	1,095,600		
Accounts receivable			296,700	-
Prepaid expenses and other assets	374,100	761,300	3,192,500	489,700
<b>Total current assets</b>	<b>7,424,500</b>	<b>12,551,800</b>	<b>17,337,700</b>	<b>11,570,600</b>
<b>Non-current Assets:</b>				
Long-term investments	1,609,300	-	2,270,800	1,770,800
Goodwill			2,889,200	-
Content assets			1,703,700	-
<b>Total non-current assets</b>	<b>1,609,300</b>	<b>-</b>	<b>6,863,700</b>	<b>1,770,800</b>
<b>Total assets</b>	<b>\$ 9,033,800</b>	<b>\$ 12,551,800</b>	<b>\$ 24,201,400</b>	<b>\$ 13,341,400</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 291,700	\$ 254,700		
Accrued payroll	-	132,700		
Accounts payable			\$ 44,700	\$ -
Contract liabilities			1,561,400	-
Income taxes payable	5,900	18,500	1,500	1,100
Subscription fee advanced from the shareholders	-	5,184,000		
Other current liabilities and accrued expenses			6,258,600	185,400



Subscription advanced from the stockholders			-	2,755,100
<b>Total liabilities</b>	<b>297,600</b>	<b>5,589,900</b>	<b>7,866,200</b>	<b>2,941,600</b>
Commitments and contingencies (Note 10)				
Commitments and contingencies (Note 13)				
<b>Equity:</b>				
Preferred stock, \$0.001 par value, 2,000,000 shares authorized, no shares issued and outstanding	-	-	-	-
Common stock, \$0.001 par value, 40,000,000 and 40,000,000 shares authorized, 31,724,631 and 26,484,055 shares outstanding at September 30, 2023 and December 31, 2022, respectively	31,800	26,500		
Common stock, \$0.001 par value, 40,000,000 and 40,000,000 shares authorized, 35,940,631 and 31,724,631 shares outstanding at March 31, 2024 and December 31, 2023, respectively			36,000	31,800
Paid-in capital	28,114,600	21,372,100	34,179,100	27,822,200
Accumulated deficit	(17,865,100)	(13,420,400)	(18,321,000)	(17,454,200)
<b>Total Mega Matrix Corp. Stockholders' Equity</b>	<b>10,281,300</b>	<b>7,978,200</b>	<b>15,894,100</b>	<b>10,399,800</b>
Non-controlling interests	(1,545,100)	(1,016,300)	441,100	-
<b>Total equity</b>	<b>8,736,200</b>	<b>6,961,900</b>	<b>16,335,200</b>	<b>10,399,800</b>
<b>Total liabilities and equity</b>	<b>\$ 9,033,800</b>	<b>\$ 12,551,800</b>	<b>\$ 24,201,400</b>	<b>\$ 13,341,400</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MEGA MATRIX CORP.  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
(Rounded to the Nearest Hundred US Dollar, except for share and per share data, unless otherwise stated)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
<b>Revenues and other income:</b>				
Operating lease revenue	\$ -	\$ -	\$ -	\$ 120,000
Gamefi revenue	-	-	-	326,800
Revenue from solo staking	4,400	-	14,000	-
Revenue from provision of staking technology tools	-	-	10,000	-
	<u>4,400</u>	<u>-</u>	<u>24,000</u>	<u>446,800</u>
Cost of revenues	(19,000)	-	(263,900)	(561,100)
Gross loss	<u>(14,600)</u>	<u>-</u>	<u>(239,900)</u>	<u>(114,300)</u>
<b>Operating expenses (income):</b>				
Impairment of digital assets	490,100	2,100	713,100	10,400
Impairment of intangible assets	-	888,900	-	888,900
Loss from exchange of digital assets	600	-	12,100	-
Professional fees, general and administrative and other	612,200	789,300	2,403,500	1,790,700
Salaries and employee benefits	372,200	467,300	1,312,400	1,703,600
IT expenses	2,400	-	10,400	-
Insurance	98,900	86,200	296,700	272,900
Marketing expenses	4,600	-	25,700	-
Interest	-	-	-	120,000
Other taxes	-	-	-	2,800
Reversal of bad debt expense	-	-	-	(300,000)
<b>Total operating expenses</b>	<u>1,581,000</u>	<u>2,233,800</u>	<u>4,773,900</u>	<u>4,489,300</u>
<b>Other income (expenses):</b>				
Share of equity loss in an equity method investee	(26,200)	-	(40,700)	-
Other (expenses) income	(1,900)	-	8,300	-
<b>Total other expenses, net</b>	<u>(28,100)</u>	<u>-</u>	<u>(32,400)</u>	<u>-</u>
<b>Loss from operations before income tax expenses</b>	<u>(1,623,700)</u>	<u>(2,233,800)</u>	<u>(5,046,200)</u>	<u>(4,603,600)</u>
Income tax benefits	13,100	10,700	72,700	6,600
<b>Net loss and comprehensive loss</b>	<u>\$ (1,610,600)</u>	<u>\$ (2,223,100)</u>	<u>\$ (4,973,500)</u>	<u>\$ (4,597,000)</u>
<b>Less: Net loss and comprehensive loss attributable to non-controlling interests</b>	<u>137,800</u>	<u>245,300</u>	<u>528,800</u>	<u>724,300</u>
<b>Net loss and comprehensive loss attributable to Mega Matrix Corp.'s shareholders</b>	<u>\$ (1,472,800)</u>	<u>\$ (1,977,800)</u>	<u>\$ (4,444,700)</u>	<u>\$ (3,872,700)</u>

<b>Loss per share:</b>				
Basic	\$ (0.05)	\$ (0.10)	\$ (0.16)	\$ (0.21)
Diluted	\$ (0.05)	\$ (0.10)	\$ (0.16)	\$ (0.21)
<b>Weighted average shares used in loss per share computations:</b>				
Basic	31,724,631	22,084,055	31,187,818	22,084,055
Diluted	31,724,631	22,084,055	31,187,818	22,084,055

	<b>For the Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023 (revised)</b>
Revenues	\$ 8,691,600	\$ -
Cost of revenues	(3,500,200)	-
Gross profit	<b>5,191,400</b>	-
<b>Operating expenses:</b>		
Selling expenses	(7,718,400)	(5,300)
General and administrative expenses	(2,238,400)	(1,516,800)
<b>Total operating expenses</b>	<b>(9,956,800)</b>	<b>(1,522,100)</b>
<b>Loss from operations</b>	<b>(4,765,400)</b>	<b>(1,522,100)</b>
<b>Other income (expenses):</b>		
Changes in fair value of digital assets	2,540,700	215,400
Interest expenses, net	(2,500)	-
Other income, net	14,900	8,500
<b>Total other income, net</b>	<b>2,553,100</b>	<b>223,900</b>
<b>Loss from operations before income tax</b>	<b>(2,212,300)</b>	<b>(1,298,200)</b>
Income tax benefits	276,600	61,300
<b>Net loss and comprehensive loss</b>	<b>(1,935,700)</b>	<b>(1,236,900)</b>
Less: Net loss and comprehensive loss attributable to non-controlling interests	1,068,900	147,400
<b>Net loss and comprehensive loss attributable to Mega Matrix Corp.'s stockholders</b>	<b>\$ (866,800)</b>	<b>\$ (1,089,500)</b>
<b>Loss per share:</b>		
Basic and Diluted	\$ (0.05)	\$ (0.04)
<b>Weighted average shares used in loss per share computations:</b>		
Basic and Diluted	35,271,740	30,214,054

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MEGA MATRIX CORP.  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

	Mega Matrix Corp. Stockholder's Equity					
	Common Stock			Accumulated Deficits	Non- Controlling Interests	Total
	Number of Stocks	Amount	Paid-in Capital			
Balance, December 31, 2021	22,084,055	\$ 22,100	\$ 16,982,700	\$ (4,954,400)	\$ (237,100)	\$ 11,813,300
Share based compensation	-	-	-	-	65,000	65,000
Net loss	-	-	-	(536,300)	(140,000)	(676,300)
<b>Balance, March 31, 2022</b>	<b>22,084,055</b>	<b>\$ 22,100</b>	<b>\$ 16,982,700</b>	<b>\$ (5,490,700)</b>	<b>\$ (312,100)</b>	<b>\$ 11,202,000</b>
Cancellation of share-based compensation due to one management	-	-	-	-	(12,000)	(12,000)
Net loss	-	-	-	(1,358,600)	(339,000)	(1,697,600)
<b>Balance, June 30, 2022</b>	<b>22,084,055</b>	<b>\$ 22,100</b>	<b>\$ 16,982,700</b>	<b>\$ (6,849,300)</b>	<b>\$ (663,100)</b>	<b>\$ 9,492,400</b>
Acquisition of a subsidiary under common control	-	-	(6,200)	-	-	(6,200)
Net loss	-	-	-	(1,977,800)	(245,300)	(2,223,100)
<b>Balance, September 30, 2022</b>	<b>22,084,055</b>	<b>\$ 22,100</b>	<b>\$ 16,976,500</b>	<b>\$ (8,827,100)</b>	<b>\$ (908,400)</b>	<b>\$ 7,263,100</b>
Balance, December 31, 2022	26,484,055	\$ 26,500	\$ 21,372,100	\$ (13,420,400)	\$ (1,016,300)	\$ 6,961,900
Issuance of common stocks pursuant to private placement	5,079,999	5,100	6,533,900	-	-	6,539,000
Net loss	-	-	-	(1,513,900)	(147,400)	(1,661,300)
<b>Balance, March 31, 2023</b>	<b>31,564,054</b>	<b>\$ 31,600</b>	<b>\$ 27,906,000</b>	<b>\$ (14,934,300)</b>	<b>\$ (1,163,700)</b>	<b>\$ 11,839,600</b>
Issuance of common stocks to a service provider	160,577	200	208,600	-	-	208,800
Capital injection from a non- controlling shareholder	-	-	-	-	88,900	88,900
Net loss	-	-	-	(1,458,000)	(243,600)	(1,701,600)
<b>Balance, June 30, 2023</b>	<b>31,724,631</b>	<b>\$ 31,800</b>	<b>\$ 28,114,600</b>	<b>\$ (16,392,300)</b>	<b>\$ (1,318,400)</b>	<b>\$ 10,435,700</b>
Withdrawal of capital by a non- controlling shareholder	-	-	-	-	(88,900)	(88,900)
Net loss	-	-	-	(1,472,800)	(137,800)	(1,610,600)
<b>Balance, September 30, 2023</b>	<b>31,724,631</b>	<b>\$ 31,800</b>	<b>\$ 28,114,600</b>	<b>\$ (17,865,100)</b>	<b>\$ (1,545,100)</b>	<b>\$ 8,736,200</b>

	Mega Matrix Corp. Stockholder's Equity					
	Common Stock			Accumulated Deficits	Non- Controlling Interests	Total
	Number of Stocks	Amount	Paid-in Capital			
Balance, December 31, 2022	26,484,055	\$ 26,500	\$ 21,372,100	\$ (13,420,400)	\$ (1,016,300)	\$ 6,961,900

Cumulative-effect adjustment of opening balance due to adoption of fair value measurement of digital assets	-	-	-	30,600	-	30,600
Issuance of common stocks pursuant to private placement	5,079,999	5,100	6,533,900	-	-	6,539,000
Net loss (revised)	-	-	-	(1,089,500)	(147,400)	(1,236,900)
Balance, March 31, 2023	<u><b>31,564,054</b></u>	<u><b>\$ 31,600</b></u>	<u><b>\$ 27,906,000</b></u>	<u><b>\$ (14,479,300)</b></u>	<u><b>\$ (1,163,700)</b></u>	<u><b>\$ 12,294,600</b></u>
Balance, December 31, 2023	31,724,631	\$ 31,800	\$ 27,822,200	\$ (17,454,200)	\$ -	\$ 10,399,800
Issuance of common stocks to certain investors in a private placement	2,490,000	2,500	3,732,500	-	-	3,735,000
Issuance of common stocks to an underwriter	124,000	100	(100)	-	-	-
Issuance of common stocks to acquire a subsidiary	1,500,000	1,500	2,263,500	-	1,510,000	3,775,000
Share-based compensation	102,000	100	361,000	-	-	361,100
Net loss	-	-	-	(866,800)	(1,068,900)	(1,935,700)
Balance, March 31, 2024	<u><b>35,940,631</b></u>	<u><b>\$ 36,000</b></u>	<u><b>\$ 34,179,100</b></u>	<u><b>\$ (18,321,000)</b></u>	<u><b>\$ 441,100</b></u>	<u><b>\$ 16,335,200</b></u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MEGA MATRIX CORP.  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Rounded to the Nearest Hundred US Dollar, unless otherwise stated)

	For the Nine Months Ended September 30	
	2023	2022
<b>Net cash used in operating activities</b>	<b>\$ (1,965,200)</b>	<b>\$ (4,671,200)</b>
<b>Investing activities:</b>		
Investment in equity investees	(1,350,000)	-
Purchase of digital assets	(3,146,500)	-
Purchase of stable coins	(139,900)	-
Proceeds paid to acquire a subsidiary under common control	-	(10,000)
Acquisition of net assets of a subsidiary	-	3,800
<b>Net cash used in investing activities</b>	<b>(4,636,400)</b>	<b>(6,200)</b>
<b>Financing activities:</b>		
Proceeds from issuance of common stocks pursuant to private placements	1,305,000	-
Subscription fee advanced from investors	-	2,200,000
Capital injection from a non-controlling shareholder	88,900	-
Capital withdrawal by a non-controlling shareholder	(88,900)	-
<b>Net cash provided by financing activities</b>	<b>1,305,000</b>	<b>2,200,000</b>
Net decrease in cash and cash equivalents	(5,296,600)	(2,477,400)
Cash and cash equivalents, beginning of period	7,263,600	7,380,700
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,967,000</b>	<b>\$ 4,903,300</b>
<b>Supplemental Cash Flow Information</b>		
Payment of interest expenses	\$ -	\$ 120,000
Refund of income tax expenses	<b>\$ 1,067,600</b>	<b>\$ -</b>
<b>Non-cash Investing and Financing activities</b>		
Collection of USDC from issuance of common stocks pursuant to private placements	\$ 50,000	\$ -
Investment in equity investees in USDC	\$ 300,000	-
Issuance of common stocks to settle advance from subscription fee from investors	\$ 6,539,000	\$ -
Subscription fee advanced from investors in USDC	\$ -	\$ 775,000

**For the Three Months Ended  
March 31,**

**2024                      2023**

<b>Net cash (used in) provided by operating activities</b>	<b>(96,900)</b>	<b>78,700</b>
<b>Investing activities:</b>		
Purchases of digital assets	(610,000)	-
Investment in equity investees	(500,000)	-
Acquisition of cash of a subsidiary	118,300	-
<b>Net cash used in investing activities</b>	<b>(991,700)</b>	<b>-</b>
<b>Financing activities:</b>		
Subscription fee from investors	809,900	-
Subscription fee advanced from investors	-	1,305,000
<b>Net cash provided by financing activities</b>	<b>809,900</b>	<b>1,305,000</b>
Net (decrease) increase in cash and cash equivalents	(278,700)	1,383,700
Cash, cash equivalents, beginning of period	3,129,800	7,263,600
<b>Cash, cash equivalents, end of period</b>	<b>\$ 2,851,100</b>	<b>\$ 8,647,300</b>
<b>Supplemental cash flow information</b>		
Payment of interest expenses	\$ -	\$ -
Payment of income tax expenses	\$ 1,600	\$ -
<b>Non-cash investing and financing activities</b>		
Subscription fee advanced from investors in the form of USDC	\$ -	\$ 50,000
Subscription fee from investors in the form of USDT	\$ 75,000	\$ -
Issuance of common stocks to settle advance from subscription fee from investors	\$ 2,755,100	\$ 6,539,000

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MEGA MATRIX CORP.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Mega Matrix Corp. (the “Company”, formerly “AeroCentury Corp.” and “ACY”) is a Delaware corporation incorporated in 1997. Through the Company’s emergence from bankruptcy on September 30, 2021, and new investors and management, the Company became a holding company located in Palo Alto, California with two subsidiaries: Mega Metaverse Corp.. The Company is engaged in operation of FlexTV, a short drama streaming platform based in Singapore that produces English and Thai dramas through Yuder Pte. Ltd., a California corporation an indirect majority-controlled subsidiary of the Company. The major subsidiaries of the Company as of March 31, 2024 are summarized as below:

Name of Subsidiaries	Later of date of incorporation or Acquisition	Place of Incorporation	% of Ownership	Principal Activities
<b>Major subsidiaries:</b>				
FunVerse Holding Limited	January 7, 2024	BVI	60 %	Investment holding Short drama streaming platform
Yuder Pte. Ltd.	January 7, 2024	Singapore	60 % *	
Saving Digital Pte. Ltd.	August 31, 2022	Singapore	100 %	Investment holding
Marsprotocol Technologies Pte. Ltd.	March 1, 2023	Singapore	100 %	Investment holding

\* A wholly-owned subsidiary of FunVerse Holding Limited.

Acquisition of FunVerse Holding Limited (“Mega” FunVerse”) and JetFleet Holdings Corp., a California corporation (“JHC”). On January 1, 2022, JetFleet Management Corp. (“JMC”), a wholly-owned its subsidiary of JHC, was merged with and into JHC, with JHC being the surviving entity. As part of the merger, JHC changed its name to JetFleet Management Corp.

On March 25, 2022 January 7, 2024, the Company changed its name from “AeroCentury Corp” to “Mega Matrix Corp.” (“Name Change”) to better reflect its expansion into Metaverse and GameFi business. In connection with the Name Change, the Company changed its ticker symbol from “ACY” to “MTMT” on the NYSE American, effective on March 28, 2022. All references to the “Company,” or “AeroCentury” refers to AeroCentury Corp. together with its consolidated subsidiaries prior to March 25, 2022 and renamed “Mega Matrix Corp.” commencing on March 25, 2022. Effective on February 6, 2023, the Company changed its ticker symbol from “MTMT” to “MPU” on the NYSE American.

On August 31, 2022, we acquired all of the equity interest in Saving Digital Pte, Ltd., a Singapore corporation (“SDP”) with no operations and approximately \$3,800 in cash, from our chairman Yucheng Hu for a nominal consideration of \$10,000. On September 19, 2022, through SDP, we purchased 37 Ethereum (ETH) for the purpose of exploring Ethereum staking opportunities following the transition by Ethereum on September 15, 2022 from proof-of-work (PoW) to a proof-of-stake (PoS) consensus mechanism referred to as the “Merge.” Prior to the Merge, Ethereum utilized a PoW validation method for digital asset transactions. Following the Merge, Ethereum shifted to a PoS validation system where validators stake their ETH into a smart contract on Ethereum to serve as collateral that can be destroyed if the validator behaves dishonestly or lazily. The validator (selected randomly) is then responsible for processing the blockchain transactions, storing data and adding new blocks to the blockchain. Validators receives a transaction fee on their staked coins in ETH as a reward for their active participation in the network. To become a validator on Ethereum, a participant must stake 32 ETH. As of September 30, 2023, SDP staked 320 ETH to become ten (10) validators to Ethereum to earn ETH rewards and yield. As of the date of this report, SDP staked 1,600 ETH to become fifty (50) validators to Ethereum to earn ETH rewards and yield. Solo-Staking enables SDP to utilize its ETH treasury to stake on the Ethereum beacon chain and to earn ETH-denominated rewards directly from the Ethereum protocol.

On March 1, 2023, SDP and Bit Digital Singapore Pte. Ltd. (“Bit Digital”), entered into and closed a shareholders’ agreement (the “Shareholders Agreement”) definitive Share Exchange Agreement with Marsprotocol Technologies Pte. Ltd. (“MTP”), to provide proof-of-stake technology tools for digital assets through the staking platform “MarsProtocol”, an institutional grade non-custodial



staking technology. Pursuant to the Shareholders Agreement, SDP will own 60% and Bit Digital will own 40% of MTP. Through the MarsProtocol platform, MTP planned to provide non-custodial staking tools. On April 25, 2023, we, through our 100% controlled Singapore subsidiary SDP, invested \$300,000 in MarsLand Global Limited (“MarsLand”), FunVerse, a BVI company and held 30% interest in MarsLand. The other shareholders of MarsLand are non-affiliated. MarsLand provides staking services to institutional clients, including us and Bit Digital. Further, Saving Digital is applying for the trademark “MarsProtocol”. After the successful application, Saving Digital will authorize MarsLand to use the trademark MarsProtocol to conduct MarsLand’s staking as a service (“StaaS”) business. MarsLand will provide StaaS business of which we may utilize their services. We may also continue to conduct Ethereum solo-staking as part of our own business.

From the end of April to the end of June 2023, which was a transition period, we terminated cooperation with an outsourced third-party IT company to develop and maintain our MarsProtocol staking platform. There are no penalties or contingencies arising from the termination of cooperation. As a result, effective July 1, 2023, we will not provide non-custodial staking tools to third parties. On August 4, 2023, Bit Digital exited its investment in MTP and withdrew its capital contribution of SGC\$120,000 from MTP. As a result of the transaction, SDP owns all outstanding ordinary shares of MTP.

On April 14, 2023, we entered into an Amended and Restated Agreement and Plan of Merger (the “Merger Agreement”) with MarsProtocol Inc., an exempted company incorporated under the laws of the Cayman British Virgin Islands and the sole parent company of Yuder Pte. Ltd. (“Yuder”), and the shareholders of FunVerse. Following the transaction, the Company owns sixty percent (60%) of equity interest of FunVerse. FunVerse, through Yuder, operates FlexTV, a wholly-owned subsidiary short drama streaming platform based in Singapore that produces English and Thai dramas that are also translated into different languages for the users that are spread across various parts of the Company (“MPU Cayman”), amending world. In addition to creating original dramas, Yuder also acquires third party content copyrights which it then translates and restating the Agreement and Plan of Merger, dated December 7, 2022. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, the Company will merge with and into MPU Cayman (the “Redomicile Merger”), with MPU Cayman being the surviving company in the Redomicile Merger. Upon the effectiveness of the Redomicile Merger, (i) MPU Cayman will change distributes on its name from MarsProtocol Inc. to Mega Matrix Inc., and (ii) MPU Cayman, together with its subsidiaries, will own and continue to conduct the Company’s business in substantially the same manner as is currently being conducted by the Company and its subsidiaries. The consent of the holders of a majority of the outstanding shares of the Company’s common stock entitled to vote is required to approve and adopt the Merger Agreement. FlexTV platform.

#### Dissolution of JetFleet Management Corp. (“JMC”)

On August 24, 2023, per the recommendation of JMC’s board of directors, the Company, as a holder of a majority of the voting stock of JMC, elected to approve the winding up and dissolution of JMC. In December 2023, JMC will cease ceased providing aircraft advisory and management services upon winding up. As up and the Company deconsolidated JMC and its subsidiaries. Upon the deconsolidation of JMC and its subsidiaries, the date Company would focus on its short drama streaming platform business and ceased the cypto-related business in March 2024. The management believed the deconsolidation does not represent a strategic shift, in both operating and financing aspects, because it is not changing the way it is running its business. The Company has not shifted the nature of this report, JMC its operations or the major geographic market area. The management believed the deconsolidation of does not represent a strategic shift that has (or will have) a major effect on the Company’s operations and financial results. The deconsolidation is not accounted as discontinued operations in the winding up process. accordance with ASC 205-20.

MEGA MATRIX CORP.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

## 2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

### *Basis of presentation*

The accompanying unaudited condensed consolidated financial statements are presented on a consolidated basis in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information, the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the **three and nine months** **three-month period** ended **September 30, 2023** **March 31, 2024** are not necessarily indicative of the results that may be expected for the year ending **December 31, 2023** **December 31, 2024** or for any other period. All intercompany balances and transactions have been eliminated on consolidation.

### *Non-controlling interests*

**Non-controlling** As of **March 31, 2024**, **non-controlling** interests represent the **40%** equity interests of **MTP and JMC FunVerse** that are not attributable, either directly or indirectly, to the Company. In the **three months** ended **September 30, 2023**, the **non-controlling** equity holder exited its investment in MTP. As of **September 30, 2023** and **December 31, 2022** **March 31, 2024**, **non-controlling** equity holders held 45.81% and 45.81% equity interest in JMC, respectively.

### *Going concern*

For the **nine months** ended **September 30, 2023** and **2022**, the Company reported net losses of \$5.0 million and \$4.6 million, respectively, and cash flows of \$2.0 million and \$4.7 million used in operating activities. In addition, the Company had accumulated deficits **non-controlling interests** of \$17.9 million and \$13.4 million as of **September 30, 2023** and **December 31, 2022** respectively. These conditions raised substantial doubt about the Company's ability to continue as a going concern.

The Company's liquidity is based on its ability to generate cash from operating activities and obtain financing from investors to fund its general operations and capital expansion needs. The Company's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenue while controlling operating cost and expenses to generate positive operating cash flows and obtain financing from outside sources. **\$441,100.**

As of **September 30, 2023** **December 31, 2023**, the Company had **working capital** of \$7.1 million, among which the Company held cash of \$2.0 million, stable coins of \$9,700 and digital assets of \$5.0 million, which were highly liquid and easily convertible into cash over the market. **no non-controlling interests.**

### *GivenBusiness combinations*

Business combinations are recorded using the **financial condition** acquisition method of accounting. The Company uses a screen to evaluate whether a transaction should be accounted for as an acquisition and/or disposal of a business versus assets. In order for a purchase to be considered an acquisition of a business, and receive business combination accounting treatment, the set of transferred assets and activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. If substantially all of the **Company** fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, then the set of transferred assets and activities is not a business.

The purchase price of business acquisition is allocated to the tangible assets, liabilities, identifiable intangible assets acquired and noncontrolling interest, if any, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses and restructuring costs are expensed as incurred.

Where the consideration in an acquisition includes contingent consideration and the payment of which depends on the achievement of certain specified conditions post-acquisition, the contingent consideration is recognized and measured at its **operating**

performance, fair value at the Company assesses current working capital acquisition date and if recorded as a liability, it is sufficient to meet its obligations for the next 12 months from the issuance date of this report. Accordingly, management continues to prepare the Company's unaudited condensed consolidated financial statements on going concern basis. subsequently carried at fair value with changes in fair value reflected in earnings.

MEGA MATRIX CORP.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

## 2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### **Digital assets**

#### **Accounts receivable**

Digital assets (including Ethereum, or ETH) are included in current assets in the accompanying unaudited condensed consolidated balance sheets. Digital assets purchased

Accounts receivable are recorded at cost the gross billing amount less an allowance for any uncollectible accounts due from the customers. Accounts receivable do not bear interest.

The Company adopted Accounting Standards Update (“ASU”) No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”) to measure expected credit losses of accounts receivable.

The Company maintains an allowance for credit losses and digital assets awarded records the allowance for credit losses as an offset to accounts receivable and the estimated credit losses charged to the Company through its GameFi allowance is classified as “General and Solo-Staking business are accounted for in connection with the Company’s revenue recognition policy disclosed below.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Digital assets are measured on a first-in-first-out (“FIFO”) basis and measured for impairment whenever indicators of impairment are identified based on the intraday low quoted price of digital assets. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the digital assets. Subsequent reversal of impairment losses is not permitted. Digital assets are classified on our balance sheet as a current asset due to the Company’s ability to sell it in a highly liquid marketplace and its intent to liquidate its digital assets to support operations when needed. Impairment of \$713,100 and \$10,400 for digital assets was recognized for the nine months ended September 30, 2023 and 2022, respectively.

Purchases of digital assets by the Company, if any, will be included within investing activities in the accompanying unaudited condensed consolidated statements of cash flows, while digital assets awarded to the Company through its GameFi and Solo-staking business are included within operating activities on the accompanying unaudited condensed consolidated statements of cash flows. The sales of digital assets are included within operating activities in the accompanying unaudited condensed consolidated statements of cash flows and any realized gains or losses from such sales are included in “realized gain (loss) on exchange of digital assets” administrative expenses” in the unaudited condensed consolidated statements of operations income and comprehensive loss. income. The Company assesses collectability by reviewing accounts receivable on aging schedules because the accounts receivable were primarily consisted of online advertising service fees from certain customers. In determining the amount of the allowance for its gains or credit losses, in accordance with the first-in first-out method Company considers historical collectability based on past due status, the age of accounting. the balances, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect the Company’s ability to collect from customers. Delinquent account balances are written-off against the allowance for expected credit loss after management has determined that the likelihood of collection is not probable.

As of September 30, 2023 and December 31, 2022 March 31, 2024, the Company did not sell its digital assets for cash. provide expected credit losses against accounts receivable.

#### **ASC 820 defines “principal market” as Content assets, net**

Content assets are stated at cost less accumulated amortization and impairment if any. Content assets are amortized in a method which reflect the market with pattern in which the greatest volume and level of activity for the asset or liability. The determination economic benefits of the principal market (and, content assets are expected to be consumed or otherwise used up. When assets are retired or disposed of, the costs and accumulated amortization are removed from the accounts, and any resulting gains or losses are included in income/loss in the year of disposition. Estimated useful lives are as follows:

	Estimated Useful Life
Software	12 months
Produced contents	6 – 12 months
Copyrights	12 – 36 months

## MEGA MATRIX CORP.

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

#### 2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

##### **Goodwill**

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. The Company assesses goodwill for impairment on annual basis as of December 31 or if indicator noted for goodwill impairment. In accordance with ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (“ASU 2017-04”) issued by the Financial Accounting Standards Board (“FASB”) guidance on testing of goodwill for impairment, the Company will first assess qualitative factors to determine whether it is “more likely than not” that the fair value of a reporting unit is less than its carrying amount as a result, basis for determining whether it is necessary to perform the market participants in quantitative impairment test. If this is the principal market case, the quantitative goodwill impairment test is made from required. If it is more likely-than-not that the perspective fair value of a reporting unit is greater than its carrying amount, the quantitative goodwill impairment test is not required.

Quantitative goodwill impairment test is used to identify both the existence of impairment and the amount of impairment loss, comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting entity. The Company determines CoinMarketCap as unit is greater than its principal market, as it carrying amount, goodwill is one not considered impaired. If the fair value of the earliest reporting unit is less than its carrying amount, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

In January 2024, the Company recognized goodwill of \$2,889,200 arising from business combination of FunVerse and its subsidiary (Note 4). As of March 31, 2024, no impairment was provided against the most trusted sources goodwill.

##### **Impairment of long-lived assets**

In accordance with ASC Topic 360, the Company reviews long-lived assets or asset group for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets or asset group may not be fully recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by users, institutions, that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and media for comparing thousands third-party independent appraisals, as considered necessary. Any impairment write-downs would be treated as permanent reductions in the carrying amounts of cryptocurrency the assets and selected by a charge to operations would be recognized. For the U.S. government, three months ended March 31, 2024 and 2023, the Company did not provide impairment against long-lived assets.

MEGA MATRIX CORP.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

***Long-term investments***

As of September 30, 2023, long-term investments represent the Company's investment in one equity method investee over which the Company has significant influence, and investment in two privately held companies over which the Company neither has control nor significant influence through investments in ordinary shares.

***Investment in equity method investee***

In accordance with ASC 323, *Investments - Equity Method and Joint Ventures*, the Company accounts for the investment in privately held companies using equity method, because the Company has significant influence but does not own a majority equity interest or otherwise control over the equity investees.

Under the equity method, the Company initially records its investment at cost and prospectively recognizes its proportionate share of each equity investee's net income or loss into its consolidated statements of operations. When the Company's share of losses in the equity investee equals or exceeds its interest in the equity investee, the Company does not recognize further losses, unless the Company has incurred obligations or made payments or guarantees on behalf of the equity investee.

The Company continually reviews its investment in the equity investee to determine whether a decline in fair value below the carrying value is other-than-temporary. The primary factors the Company considers in its determination include the financial condition, operating performance and the prospects of the equity investee; other company specific information such as recent financing rounds; the geographic region, market and industry in which the equity investee operates; and the length of time that the fair value of the investment is below its carrying value. If the decline in fair value is deemed to be other-than-temporary, the carrying value of the equity investee is written down to fair value.

***Investment in privately held companies***

Equity investments not accounted for using the equity method are carried at fair value with unrealized gains and losses recorded in the consolidated statements of operations, according to ASC 321, *Investments - Equity Securities*. The Company elected to record the equity investments in privately held companies using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer. Equity investments in privately held companies accounted for using the measurement alternative are subject to periodic impairment reviews. The Company's impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of these equity securities, including consideration of the impact of the COVID-19 pandemic. In computing realized gains and losses on equity securities, the Company calculates cost based on amounts paid using the average cost method. Dividend income is recognized when the right to receive the payment is established.



# MEGA MATRIX CORP.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

### 2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Revenue Recognition

##### Revenue from Solo-Staking business Membership and top-up streaming services

The Company generates revenue through staking rewards, offers membership streaming services to subscribing members from various countries and the features of the plan, which primarily include access to exclusive and ad-free streaming of short dramas, and accelerated downloads and others. It's optional for users to subscribe for weekly, monthly or annual membership on the short drama streaming platform. Users can also top up their accounts to acquire in-app coins on our platform, which are then used to continue viewing the short dramas. Users can also earn in-app coins to watch short dramas by completing daily and new user tasks.

Full membership and top-up charges are prepaid before provision of membership and top-up streaming services. The collection of membership and top-up charges are initially recorded as "contract liabilities" on the unaudited condensed consolidated balance sheets and revenue is recognized ratably over the membership period and consumption of in-app coins as services are rendered.

##### Online advertising services

The Company sells advertising services by delivering brand advertising primarily to third-party advertising agencies. The Company provides advertisement placements on its short drama streaming platform in different formats, including but not limited to video, banners, links, logos, brand placement and buttons. The transaction prices are varied according to the scale of impressions and types of the advisements in the contracts with customers. The contracts have one performance obligation. Revenues are recognized over time. The Company has entered into network-based smart contracts by running its own digital assets validating nodes. Through these contracts, a right to consideration from the customers in an amount that corresponds directly with the value the Company's performance completed to date. The Company provides Ethereum ("ETH") to stake on a node for the purpose adopted practical expedient under ASC 606-10-55-18, and recognizes revenues from provision of validating transactions and adding blocks to a respective blockchain network. The term of a smart contract can vary online advertising services based on the rules of the respective blockchain and typically last a few weeks to months after it is canceled by the operator and requires that the ETH staked remain locked up during the duration of the smart contract. In exchange for staking the ETH and validating transactions on blockchain networks, the Company is entitled to all of the fixed ETH award for running the Company's own node, for successfully validating or adding a block amounts invoiced to the blockchain, customers.

The provision of validating blockchain transactions is an output of the Company's ordinary activities. Each separate block creation or validation under a smart contract with a network represents a performance obligation. The transaction consideration Contract balances

Contract liabilities are recognized if the Company receives consideration prior to satisfying the ETH awards - is a non-cash consideration, performance obligations, which include customer advances and deferred revenue under service arrangements.

As of March 31, 2024, the Company measures at fair value on had contract liabilities of \$1,561,400, which were expected to be recognized as revenues in the date received. The fair value of the ETH award received is determined using the quoted price of the related cryptocurrency at the time of receipt. The satisfaction of the performance obligation for transaction verification services occurs at a point in time when confirmation is received from the network indicating that the validation is complete, and the awards are available for transfer. At that point, revenue is recognized, twelve months ending March 31, 2025.

##### Revenue from provision Disaggregation of staking technology tools revenue

Commencing in March For the three months ended March 31, 2024 and 2023, the Company through disaggregate revenue into two revenue streams, consisting of membership and top-up streaming services and online advertising services, as follows: MTP, provides its customers with proof-of-stake technology tools for digital assets through the staking platform "MarsProtocol".

	For the Three Months Ended March 31,	
	2024	2023
Membership and top-up streaming services	\$ 8,048,200	\$ -
Online advertising services	643,400	-



	\$ 8,691,600	\$ -
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**Cost of revenues**

The Company For the three months ended March 31, 2024, the cost of revenues was primarily comprised of platform service fees charged its customers at a fixed fee rate on each unit by third party payment processors, amortization of digital assets earned from staking business. The Company identified one performance obligation from the staking services. Because the customers simultaneously receives produced contents, software and consumes the services provided by the Company, the Company recognized the copyrights which were applied to produce short dramas and other expenses which were directly attributable to producing short dramas. Cost of revenues over period using output method as measurement.

Revenue from GameFi business

In late March 2022, the Company released its first NFT game “Mano” are recorded in the Mega’s metaverse universe platform“alSpace”. Mano is a competitive idle role-playing game (RPG) deploying the concept unaudited condensed consolidated statements of GameFi in the innovative application of NFTs (non-fungible token) based on blockchain technology, with a “Play-to-earn” business model that the players can earn while they play in the alSpace. operations and comprehensive loss as incurred. The Company earns transaction fees from players based on a fixed number of Binance Coin (BNB) of each transaction when they want to upgrade or reset their NFT in Mano. When a player executes a game transaction through Binance Smart Chain (“BSC”), transaction fee is recognized upon the completion of this game transaction. Only a single performance obligation is identified for each game transaction, and the performance obligation is satisfied on the trade date because that is when the underlying game service is identified, the pricing of transaction fee is agreed upon and the promised services are delivered to customers. All of the Company’s revenues from contracts with customers are recognized at a point in time. The game service could not be cancelled once it’s executed and is not refundable, so returns and allowances are not applicable. The Company recognizes revenues on a gross basis as the Company is determined to be the primary obligor in fulfilling the trade order initiated by the player.

MEGA MATRIX CORP.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

## 2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The revenue is in the form of BNB, which is a cryptocurrency that is primarily used in payment of paying transactions and trading fees through BSC. BNB is convertible to cash or other digital assets. Due to regulatory challenges, the Company decided to suspend the Mano game and the alSpace platform, and on November 4, 2022, the Company discontinued the Mano game and the alSpace platform.

### ***Revenue Recognition (continued)***

#### ***Revenue from leasing of aircraft assets***

Revenue from leasing of aircraft assets pursuant to operating leases is recognized on a straight-line basis over the terms of the applicable lease agreements. Deferred payments are recorded as accrued rent when the cash rent received is lower than the straight-line revenue recognized. Such receivables decrease over the term of the applicable leases. Interest income is recognized on finance leases based on the interest rate implicit in the lease and the outstanding balance of the lease receivable.

Maintenance reserves retained by the Company at lease-end are recognized as maintenance reserves revenue.

In instances where collectability is not reasonably assured, the Company recognizes revenue as cash payments are received. The Company estimates and charges to income a provision for bad debts based on its experience with each specific customer, the amount and length of payment arrearages, and its analysis of the lessee's overall financial condition. If the financial condition of any of the Company's customers deteriorates, it could result in actual losses exceeding any estimated allowances.

### ***Taxes***

As part of the process of preparing the Company's consolidated financial statements, management estimates income taxes in each of the jurisdictions in which the Company operates. This process involves estimating the Company's current tax exposure under the most recent tax laws and assessing both permanent and temporary differences resulting from differing treatment of items for tax and US GAAP purposes. The temporary differences result in deferred tax assets and liabilities, which are included in the balance sheet. In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or availability to carryback carry back the losses to taxable income during periods in which those temporary differences become deductible. The Company considered several factors when analyzing the need for a valuation allowance including the Company's three-year book cumulative loss through September 30, 2023 March 31, 2024, the financial forecast, the Company's recent filing for protection under Chapter 11 of the bankruptcy code and the operation uncertainty of the Company's new business. Based on this analysis, the Company has concluded that a valuation allowance is necessary for its U.S. and foreign deferred tax assets not supported by either future taxable income or availability of future reversals of existing taxable temporary differences and has recorded a full valuation allowance on its deferred tax assets.

### ***Warrant***

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815, Derivatives and Hedging ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own ordinary shares, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter with changes in fair value recognized in the statements of operations in the period of change.

***Reclassification***

Certain items in the financial statements of the comparative period have been reclassified to conform to the financial statements for the current period. The reclassification has no impact on the total assets and total liabilities as of September 30, 2023 December 31, 2023 or on the statements of operations for the three and nine months ended September 30, 2023 March 31, 2023. A reclassification

MEGA MATRIX CORP.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

**Going concern**

For the three months ended March 31, 2024 and 2023, the Company reported net losses of **USDT** approximately \$1.9 million and \$1.2 million, respectively. In addition, the Company had accumulated deficits of approximately \$18.3 million and \$17.5 million as of March 31, 2024 and December 31, 2023, respectively. These conditions raised substantial doubt about the Company's ability to continue as a going concern.

The Company's liquidity is based on its ability to generate cash from operating activities and obtain financing from investors to fund its general operations and capital expansion needs. The Company's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenue while controlling operating cost and expenses to generate positive operating cash flows and obtain financing from outside sources.

As of March 31, 2024, the Company had working capital of approximately \$9.5 million, among which the Company held cash of approximately \$2.9 million, stable **coin to** coins of approximately \$3.1 million and digital assets **has** of approximately \$7.9 million, which were easily convertible into cash over the market.

Given the financial condition of the Company and its operating performance, the Company assesses current working capital is sufficient to meet its obligations for the next 12 months from the issuance date of this report. Accordingly, management continues to prepare the Company's consolidated financial statements on going concern basis.

## MEGA MATRIX CORP.

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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#### 2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

##### ***Recent accounting pronouncements***

In December 2023, the FASB issued ASU 2023-09, which is an update to Topic 740, Income Taxes. The amendments in this update related to the rate reconciliation and income taxes paid disclosures improve the transparency of income tax disclosures by requiring (1) adding disclosures of pretax income (or loss) and income tax expense (or benefit) to be consistent with U.S. Securities and Exchange Commission (SEC) Regulation S-X 210.4-08(h), Rules of General Application—General Notes to Financial Statements: Income Tax Expense, and (2) removing disclosures that no longer are considered cost beneficial or relevant. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in this Update should be applied on a prospective basis. Retrospective application is permitted.

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements — codification amendments in response to SEC's disclosure Update and Simplification initiative which amend the disclosure or presentation requirements of codification subtopic 230-10 Statement of Cash Flows—Overall, 250-10 Accounting Changes and Error Corrections— Overall, 260-10 Earnings Per Share— Overall, 270-10 Interim Reporting— Overall, 440-10 Commitments—Overall, 470-10 Debt—Overall, 505-10 Equity—Overall, 815-10 Derivatives and Hedging—Overall, 860-30 Transfers and Servicing—Secured Borrowing and Collateral, 932-235 Extractive Activities— Oil and Gas—Notes to Financial Statements, 946-20 Financial Services— Investment Companies— Investment Company Activities, and 974-10 Real Estate—Real Estate Investment Trusts—Overall. The amendments represent changes to clarify or improve disclosure and presentation requirements of above subtopics. Many of the amendments allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the SEC's requirements. Also, the amendments align the requirements in the Codification with the SEC's regulations. For entities subject to existing SEC disclosure requirements or those that must provide financial statements to the SEC for securities purposes without contractual transfer restrictions, the effective date aligns with the date when the SEC removes the related disclosure from Regulation S-X or Regulation S-K. Early adoption is not allowed. For all other entities, the amendments will be effective two years later from the date of the SEC's removal.

In March 2023, the FASB issued new accounting guidance, ASU 2023-01, for leasehold improvements associated with common control leases, which is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. The new guidance introduced two issues: terms and conditions to be considered with leases between related parties under common control and accounting for leasehold improvements. The goals for the new issues are to reduce the cost associated with implementing and applying Topic 842 and to promote diversity in practice by entities within the scope when applying lease accounting requirements.

Recently issued ASUs by the FASB, except for the ones mentioned above, have no material impact on the Company's unaudited condensed consolidated statements of operations and comprehensive loss or consolidated balance sheet as of December 31, 2022. sheets.

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**3. REVISION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS**

**3.** The Company has noted the following matters in relation to its consolidated financial statements for the three months ended March 31, 2023 that had been filed on May 12, 2023. The matter related to the adoption of fair value to measure digital assets, reclassification digital assets and stable coins, and reclassification of other income.

*a. Adoption of fair value method to measure digital assets*

The Company measures the fair value of digital assets on a daily basis, and refers to the daily closing prices published by Matrixport Cactus Custody as the fair value. As of January 1, 2023, the Company recorded a cumulative-effect adjustment of \$30,600 to accumulated deficits. The adoption of fair value measure caused a reversal of impairment of digital assets of \$223,000, recognition of increase in fair value of digital assets of \$215,400 and reversal of exchange gains of \$14,000.

*b. Reclassification of digital assets and stablecoins*

As Tether reserves the right under its user agreement to redeem USDT by in-kind redemptions of other assets it holds in its reserves and as Tether has held precious metals and other non-financial assets in its reserves, it does not appear that USDT meets the definition of a financial instrument under ASC 825-10-20. The Company reclassified USDT, amounting \$2,300 as of March 31, 2023, from stable coins to digital assets. The reclassification had no impact on net assets as of December 31, 2022, and revenues and net loss for the three months ended March 31, 2023.

*c. Reclassification of revenue and cost of revenues*

The Company ceased solo-staking business in March 2024, and accordingly the Company reclassified revenues from solo-staking business to other income, net, and cost of revenues to general and administrative expenses. For comparison purpose, the Company reclassified revenues to other income, net, and reclassified cost of revenues to general and administrative expenses for the three months ended March 31, 2023.

The following tables present the effects of revisions on the Company's financial statements as of March 31, 2023, and for the three months ended March 31, 2023:

	March 31, 2023		
	As previously reported	Adjustments	As Revised
<b>Consolidated balance sheet</b>			
Stable coins	2,510,400	(2,300)	2,508,100
Digital assets	403,300	457,300	860,600
Accumulated deficits	(14,934,300)	455,000	(14,479,300)
	<b>For the Three Months Ended March 31, 2023</b>		
	As previously reported	Adjustments	As Restated
<b>Consolidated statements of operations</b>			
Revenues	8,500	(8,500)	-
Cost of revenues	(229,800)	229,800	-
Gross loss	(221,300)	221,300	-
General and administrative expenses	1,496,000	20,800	1,516,800
Total operating expenses	1,501,300	20,800	1,522,100
Other income, net	-	223,900	223,900
Loss from operations before income tax expenses	(1,722,600)	424,400	(1,298,200)
Net loss	(1,661,300)	424,400	(1,236,900)

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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4. ACQUISITION OF FUNVERSE

On January 7, 2024, the Company acquired 60% of the equity interest of FunVerse at the cost of issuance of 1,500,000 ordinary shares. The fair value of the share consideration was \$2,265,000 by reference to the closing price on January 7, 2024.

The Company has allocated the purchase price of FunVerse based upon the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date. The Company estimated the fair values of the assets acquired and liabilities assumed at the acquisition date in accordance with the business combination standard issued by FASB. The Company used carrying amount of assets and liabilities as fair value, which approximate the fair value, and used cost approach to estimate the fair value of content assets which was primarily comprised software and copyrights. Management of the Company is responsible for determining the fair value of assets acquired, liabilities assumed and content assets identified as of the acquisition date and considered a number of factors including valuations from an independent appraiser firm. Acquisition-related costs incurred for the acquisitions are not material and have been expensed as incurred in other operating expenses. The following table summarizes the estimated fair values of the identifiable assets acquired at the acquisition date, which represents the net purchase price allocation at the date of the acquisition of FunVerse based on a valuation performed by an independent valuation firm engaged by the Company.

	January 7, 2024
<b>ASSETS</b>	
Net tangible liabilities (1)	\$ (466,400)
Copyrights (2)	581,000
Software (2)	1,048,200
Goodwill	2,889,200
Deferred tax liabilities	(277,000)
Non-controlling interest	(1,510,000)
<b>Total purchase consideration</b>	<b>\$ 2,265,000</b>

- (1) The following is a reconciliation of the fair value of major classes of assets acquired and liabilities assumed which comprised of net tangible liabilities on January 7, 2024.

	January 7, 2024
<b>ASSETS</b>	
Cash and cash equivalents	\$ 118,300
Accounts receivable	323,500
Prepayments	25,200
Prepaid expenses and other assets	359,400
Content assets	165,300
<b>Total assets</b>	<b>\$ 991,700</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 43,400
Contract liabilities	395,000
Other current liabilities and accrued expenses	1,019,700
<b>Total liabilities</b>	<b>\$ 1,458,100</b>
<b>Net tangible liabilities</b>	<b>\$ (466,400)</b>

- (2) The copyrights and software are both applied to produce short dramas. The useful lives of these content assets are 12 months.

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5. STABLE COINS

Stable coins were comprised of the following:

	September 30, 2023	December 31, 2022
USDC	\$ 9,700	\$ 2,972,000

	March 31, 2024	December 31, 2023
USDC	\$ 3,146,300	\$ 254,400

A reclassification As of USDT from stable coin March 31, 2024 and December 31, 2023, the Company held 3,146,300 and 254,400 USDC, respectively. The fair value of USDC were kept at \$1.00 because one USDC is pegged to digital assets has been made to the consolidated balance sheet as of December 31, 2022, one U.S. dollar.

The following table presents additional information about USDC for the nine three months ended September 30, 2023 March 31, 2024 and 2022; 2023:

	For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	2022	2024	2023
Opening balance	\$ 2,972,000	\$ -	\$ 254,400	\$ 2,972,000
Collection of USDC from subscription fee from investors	50,000	775,000	-	50,000
Collection of USDC from provision of staking technology tools	6,800	-		
Purchases of USDC	139,900	-	610,000	-
Collection of USDC from exchange of USDT	595,000	-		
Collection of USDC from exchange of ETH and BNB	-	297,500		
Investment in an equity-method investee in USDC	(300,000)	-		
Exchange of USDC into ETH	(2,894,300)	-		
Collection of USDC from exchange of ETH			2,391,700	-
Exchange of USDC into ETH and USDT			(100,000)	(285,700)
Payment of service fees and other expenses	(559,700)	(140,100)	(9,800)	(228,200)
Ending balance	\$ 9,700	\$ 932,400	\$ 3,146,300	\$ 2,508,100

4.6. DIGITAL ASSETS



Digital asset holdings were comprised of the following:

	September 30,	December 31,		
	2023	2022	March 31, 2024	December 31, 2023
ETH	\$ 4,418,700	\$ 369,200	\$ 1,458,800	\$ 7,123,300
USDT*	617,800	90,100		
USDT			6,392,300	573,400
	<u>\$ 5,036,500</u>	<u>\$ 459,300</u>	<u>\$ 7,851,100</u>	<u>\$ 7,696,700</u>

\* A reclassification of USDT from stable coin to digital assets has been made to the consolidated balance sheet as of December 31, 2022.

As of March 31, 2024, the Company held 399.89 ETH, with fair value price of \$3,648 per unit. As of December 31, 2023, the Company held 3,122.48 ETH, with fair value price of \$2,281.32 per unit.

For the three months ended September 30, 2023 and 2022, March 31, 2024, the Company recognized impairment loss an increase in fair value of \$490,100 ETH of \$2,540,700 and \$2,100 on ETH, respectively. an investment income of \$6,300 from sales of ETH. For the nine three months ended September 30, 2023 and 2022, March 31, 2023, the Company recognized impairment loss an increase in fair value of \$713,100 ETH of \$215,400. As of March 31, 2024 and \$10,400 on ETH, December 31, 2023, the Company held 6,392,300 and 573,400 USDT, respectively. The fair value of USDT were kept at \$1.00 because one USDT is pegged to one U.S. dollar.

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**4.6. DIGITAL ASSETS (CONTINUED)**

*Additional information about digital assets*

The following table presents additional information about ETH for the **nine** months ended **September 30, 2023** **March 31, 2024** and **2022; 2023:**

	For the Nine Months Ended September 30,	
	2023	2022
Opening balance	\$ 369,200	\$ -
Addition of ETH staking reward	14,000	-
Purchases of ETH in cash	-	48,400
Purchases of ETH from exchange of USDC	2,894,300	-
Purchases of ETH from exchange of USDT	1,904,700	-
Collection of ETH from other services	3,700	-
Exchange of ETH into USDC	-	(100)
Return of ETH to a third party	(34,600)	-
Payment of ETH for other services	(19,500)	-
Impairment of ETH	(713,100)	(2,100)
Ending balance	<u>\$ 4,418,700</u>	<u>\$ 46,200</u>

	For the Three Months Ended March 31,	
	2024	2023 (revised)
Opening balance	\$ 7,123,300	\$ 369,200
Cumulative-effect adjustment of opening balance due to adoption of fair value measurement	-	30,600
Addition of ETH staking reward and other services	14,300	6,000
Purchases of ETH from exchange of USDT	1,636,500	-
Purchases of ETH from exchange of USDC	-	285,700
Exchange of ETH into USDT	(7,470,600)	-
Exchange of ETH into USDC	(2,391,700)	-
Return of ETH to a third party	-	(48,500)
Payment of ETH for other expenses	-	(100)
Investment income from sales of ETH	6,300	-
Changes in fair value of ETH	2,540,700	215,400
	<u>\$ 1,458,800</u>	<u>\$ 858,300</u>

The following table presents additional information about USDT for the **nine** months ended **September 30, 2023** **March 31, 2024** and **2022; 2023:**

	For the Nine Months Ended September 30,	
	2023	2022
Opening balance	\$ 90,100	\$ -
Purchase of USDT in cash	3,146,500	-
Exchange of USDT into ETH	(1,904,700)	-
Exchange of USDT into USDC	(595,800)	-
Collection of USDT from exchange of BNB	-	-
Payment of service fees	(118,300)	-
Ending balance	<u>\$ 617,800</u>	<u>\$ -</u>

	For the Three Months Ended March 31,	
	2024	2023
Opening balance	\$ 573,400	\$ 90,100
Purchases of USDT from exchange of digital assets	7,989,200	-
Purchases of USDT from exchange of USDC	100,000	-
Collection of USDT from subscription advance from investors	75,000	-
Exchange of USDT into ETH	(1,636,500)	-
Exchange of USDT into USD	(701,000)	-
Payment of service fees	(7,800)	(87,800)
	<u>\$ 6,392,300</u>	<u>\$ 2,300</u>

5.

**MEGA MATRIX CORP.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. LONG-TERM INVESTMENTS**

Long-term investments were comprised of the following:

	For the Three Months Ended March 31,			
	September 30, 2023	December 31, 2022	2024	2023
Investment in MarsLand Global Limited (“MarsLand”) (a)	\$ 259,300	\$ -	\$ 224,800	\$ 224,800
Investment in Quleduo Technology Co., (“Quleduo”) (b)	1,000,000	-	1,500,000	1,000,000
Investment in DaoMax Technology Co., Ltd, (“DaoMax”) (c)	350,000	-	546,000	546,000
<b>Total</b>	<b>\$ 1,609,300</b>	<b>\$ -</b>	<b>\$ 2,270,800</b>	<b>\$ 1,770,800</b>

*(a) Investment in MarsLand*

MarsLand is a privately held company. In May 2023, the Company, through Saving Digital Pte. Ltd. (“Saving Digital”), its wholly owned subsidiary, invested consideration of \$300,000 in USDC, which represents 30% of equity interest in MarsLand. The Company used equity method to measure the investment in MarsLand. For the three and nine months ended September 30, 2023 March 31, 2024, the Company recorded did not record a loss share equity of \$26,200 and \$40,700 income or loss for its share of the results of MarsLand. Marsland because of minimal loss incurred by Marsland. As of September 30, 2023 March 31, 2024 and December 31, 2023, the Company did not recognize impairment against the investment in MarsLand.

*(b) Investment in Quleduo*

Quleduo is a privately held company which is engaged in software design and development. In May and September 2023 and January 2024, the Company made a total cash consideration of \$1,500,000 in three instalments to acquire 25% of equity interest in Quleduo. The Company had no significant influence over Quleduo. Quleduo is a privately held company, over which the Company neither has control nor significant influence through investment in ordinary shares. The Company accounted for the investment in Quleduo using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer.

Quleduo just commenced its operations in July 2023, and incurred minimal losses through March 31, 2024. For the three months ended March 31, 2024, the Company did not record upward adjustments or downward adjustments on the investment. The Company’s impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of the equity security. As of March 31, 2024 and December 31, 2023, the Company did not recognize impairment against the investment security.

*(c) Investment in DaoMax*

In June 2023, October 2023 and December 2023, the Company, through Saving Digital, invested an aggregated cash consideration of \$546,000 in DaoMax in exchange for a total of 7.6% equity interest in the investee. DaoMax is a privately held company, over which the Company neither has control nor significant influence through investment in ordinary shares. The Company accounted for the investment in DaoMax using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer.

DaoMax just commenced its operations in October 2023, and incurred minimal losses through March 31, 2024. For the three months ended March 31, 2024, the Company did not record upward adjustments or downward adjustments on the investment. The Company’s impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of the equity security. As of March 31, 2024 and December 31, 2023, the Company did not recognize impairment against the investment security.

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**5. LONG-TERM INVESTMENTS (CONTINUED) 8. CONTENT ASSETS**

*(b) Investment in Quleduo*

Quleduo is a privately held company which is engaged in software design and development. In May and September 2023, the Company made a total cash consideration of \$1,000,000 in two instalments to acquire 18.2% of equity interest in Quleduo. Quleduo is a privately held company, over which the Company neither has control nor significant influence through investment in ordinary shares. The Company accounted for the investment in Quleduo using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments. Content assets were comprised of the same issuer.

For the three and nine months ended September 30, 2023, the Company did not record upward adjustments or downward adjustments on the investment. The Company's impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of the equity security. As of September 30, 2023, the Company did not recognize impairment against the investment security. following:

*(c) Investment in DaoMax*

In June 2023, the Company, through Saving Digital, invested cash consideration of \$350,000 in DaoMax in exchange for 5% equity interest in the investee. DaoMax is a privately held company, over which the Company neither has control nor significant influence through investment in ordinary shares. The Company accounted for the investment in DaoMax using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer.

	For the Three Months Ended March 31,	
	2024	2023
Software	\$ 581,000	\$ -
Produced contents		
- in development and production	15,200	-
- released	308,900	-
Copyrights	1,349,200	-
	2,254,300	-
Less: accumulated amortization	(550,600)	-
<b>Total</b>	<b>\$ 1,703,700</b>	<b>\$ -</b>

For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company did not record upward adjustments or downward adjustments on the investment. recorded amortization expenses of \$550,600 and \$nil, respectively. The Company's impairment analysis considers both qualitative and quantitative factors that may have following is a significant effect on the fair value schedule, by fiscal years, of the equity security. As amortization amount of September 30, 2023, the Company did not recognize impairment against the investment security. content asset as of March 31, 2024:

For the nine months ending December 31, 2024	\$ 1,602,900
For the year ending December 31, 2025	93,500
For the year ending December 31, 2026	7,300
<b>Total</b>	<b>\$ 1,703,700</b>

## 6.9. OPERATING LEASES

As of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, the Company leases office spaces in the United States and Singapore under non-cancelable operating leases, with terms ranging within 12 months. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right of use assets and lease liabilities. Lease expense for lease payment is recognized on a straight-line basis over the lease term.

The Company determines whether a contract is or contains contain a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. For operating leases that include rent holidays and rent escalation clauses, the Company recognizes lease expense on a straight-line basis over the lease term from the date it takes possession of the leased property. The Company records the straight-line lease expense and any contingent rent, if applicable, in the account of "professional fees, general and administrative and other expenses" on the unaudited condensed consolidated statements of operations and comprehensive losses.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company applied practical expedient to account for short-term leases with a lease term within 12 months. The Company records operating lease expense in its condensed consolidated statements of income operations and comprehensive income loss on a straight-line basis over the lease term and record variable lease payments as incurred. For the three months ended September 30, 2023, March 31, 2024 and 2022, 2023, the Company recorded rent expenses of \$37,700, \$9,800 and \$39,400, respectively. For the nine months ended September 30, 2023 and 2022, the Company recorded rent expenses of \$69,600 and \$123,400, \$11,900, respectively.

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**10. EQUITY**

**7. COMMON STOCK**Common Stock

As of December 31, 2022 December 31, 2023, the Company has been authorized 40,000,000 shares of common stocks, and had 26,484,055 shares issued and outstanding.

On December 23, 2022, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain accredited investors named in the Purchase Agreement (collectively, the “Purchasers”), pursuant to which the Company agreed to sell up to an aggregate of 5,280,000 shares of the Company’s common stock, \$0.001 par value per share (the “Common Stock”) at a purchase price of \$1.30 per share, or \$6.9 million (the “Private Placement”).

On January 20, 2023, the Company completed an initial sale of 4,314,615 shares of Common Stock pursuant to the Private Placement to certain Purchasers for an aggregate purchase price of \$5.6 million, or \$1.30 per share.

On February 15, 2023, the Company completed the final sale of 765,384 shares of Common Stock pursuant to the Private Placement to a Purchaser for an aggregate purchase price of \$1.0 million, or \$1.30 per share, for combined total issuance of 5,079,999 shares of Common Stock for gross proceeds of approximately \$6.6 million to the Company under the Private Placement, before deducting estimated offering expenses payable by the Company.

On June 5, 2023, the Company issued 160,577 Common Stock to a third-party provider which provided network security services to the Company. The service fee was agreed at \$208,800.

As of September 30, 2023, the Company authorized issue 40,000,000 shares of common stocks and had 31,724,631 shares issued and outstanding.

On December 1, 2023, we entered into a Consulting Agreement with Honor Related LLC, a British Virgin Islands corporation (“Honor”), pursuant to which the Company has agreed to issue 30,000 restricted shares of the Company’s common stock, \$0.001 par value per share, on December 31, 2023, March 31, 2024, June 30, 2024, and September 30, 2024. As of March 31, 2024, the Company has issued 60,000 restricted shares to Honor.

On January 12, 2024, the Company entered into a Unit Subscription Agreement (the “Agreement”) with certain investors, pursuant to which the investors agreed to purchase an aggregate of 2,490,000 units (the “Units”) for an aggregate purchase price of \$3,735,000, or \$1.50 per unit. Each Unit consists of one (1) share of common stock of the Company, \$0.001 par value, and one (1) warrant (the “Warrant”), with each Warrant entitling the holder to purchase one share of common stock at an exercise price of \$1.50 per share at any time for a period of up to five (5) years starting six (6) months from the issuance date at which time the Warrant will expire. The private placements closed on January 17, 2024. In connection with the private placement, the Company also entered into a Finder’s Agreement and issued to the finder 124,000 shares of common stock, a fee equal to 5% of the payment received by the Company for all Units purchased by investors introduced by the finder. The Company recorded the issuance of common stock at par value with the corresponding amount charged to additional paid-in capital.

On January 7, 2024, the Company closed acquisition of FunVerse at share consideration of 1,500,000 ordinary shares. The fair value was referred to the closing price of \$1.51 per share prevailing on January 7, 2024.

As of the date of the report, 319,800 restricted stock units have been granted under the Amended and Restated 2021 Equity Incentive Plan, of which 79,950 have vested and 239,850 remain unvested. For the three months ended March 31, 2024, the Company recognized share-based compensation expenses of \$228,155.

As of March 31, 2024, the Company has been authorized to issue 40,000,000 shares of common stocks, and had 35,940,631 shares issued and outstanding.

Warrants

In connection with the private placement closed on January 17, 2024, the Company issued 2,490,000 warrants to certain investors. Each warrant entitling the holder to purchase one share of common stock at an exercise price of \$1.50 per share at any time for a period of up to five (5) years starting six (6) months from the issuance date at which time the Warrant will expire. No fractional shares of warrants will be issued in connection with any exercise. The number of warrants and the price of warrant may be subject to adjustment in the event of (i) recapitalization, reorganization, reclassification, consolidation, merger or sale, or (ii) stock dividends, subdivisions and combinations, As the warrants meet the criteria for equity classification under ASC 480 and ASC 815,

therefore, the warrants are classified as equity. On January 17, 2024, the relative fair value of the warrants was \$1,867,400, calculated using the Black-Scholes pricing model with the following assumptions:

	As of January 17, 2024
Risk-free rate of return	4.02 %
Estimated volatility rate	99.86 %
Dividend yield	0 %
Spot price of underling ordinary share	\$ 2.8
Exercise price	\$ 1.5
Relative fair value of warrant	\$ 1,867,400

8.



## MEGA MATRIX CORP.

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

#### 11. INCOME TAXES

The Company recorded income tax benefits of \$13,100 \$276,600 in the three months ended September 30, 2023, first quarter of 2024, or 0.81% 12.5% of pre-tax loss, compared to \$10,700 \$61,300 income tax benefits, or 0.48% negative 3.56% of pre-tax loss in the three months ended September 30, 2022. The Company recorded income tax benefits first quarter of \$72,700 in the nine months ended September 30, 2023, or 1.44% of pre-tax loss, compared to \$6,600 income tax benefits, or 0.14% of pre-tax loss in the nine months ended September 30, 2022. 2023. The difference in the effective federal income tax rate from the normal statutory rate in the three and nine months ended September 30, 2023 first quarter of 2023 was primarily because we recognized tax benefits arising from the increase in foreign income tax receivable, the uncertain tax benefit reserve release due to the expiration reduction of Statue of Limitations, and the Company applied a full valuation allowance on its deferred tax assets. assets from FunVerse.

In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or availability to carryback the losses to taxable income during periods in which those temporary differences become deductible. The Company considered several factors when analyzing the need for a valuation allowance including the Company's current three-year cumulative loss through September 30, 2023 March 31, 2023, the current year operation forecast, the Company's recent filing for protection under Chapter 11 of the bankruptcy code, as well as the operation uncertainty of the Company's new business. Based on this analysis, the Company has concluded that a valuation allowance is necessary for its U.S. and foreign deferred tax assets not supported by either future taxable income or availability of future reversals of existing taxable temporary differences and has recorded a full valuation allowance on its deferred tax assets.

In addition, the Company has closely monitored the development of Pillar Two - Global Minimum Tax- introduced by the Organization for Economic Co-operation and Development ("OECD") and the impact on the Company's effective tax rate. As of the quarter ended September 30, 2023, the Company expects no impact from the Pillar Two as the Company's worldwide revenue is below the revenue threshold.

MEGA MATRIX CORP.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

9.12. OPERATING SEGMENTS

ASC 280, “Segment Reporting,” establishes standards for reporting information about operating segments on a basis consistent with the Company’s internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for details on the Company’s business segments. The Company uses the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company’s chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company’s reportable segments. Management, including the chief operating decision maker, reviews operation results by the revenue of different services.

Due to regulatory challenges, Upon acquisition of FunVerse in January 2024, the Company on November 4, 2022 commenced its short drama streaming platform business, and determined to cease its solo-staking activities in March 2024. During the three months ended March 31, 2024, discontinued the Mano game Company classified solo-staking activities as non-operating activities. Accordingly, for the three months ended March 31, 2024, the Company had one business segment, which is short drama streaming platform business. All revenues, cost of revenues and operating expenses were attributable to short drama streaming platform business for the alSpace platform. Accordingly as of September 30, 2023 and December 31, 2022, and f three months ended March 31, 2024.

For the three and nine months ended September 30, 2023 March 31, 2023, the Company had two business segments, which were comprised of 1) the ETH staking crypto-related business and 2) the leasing of regional aircraft to foreign business which has ceased in the first quarter of 2024 and domestic regional airlines.

For the three and nine months ended September 30, 2022, the Company had two business segments which were comprised of 1) the GameFi business, and 2) the leasing of regional aircraft to foreign and domestic regional airlines.

The following tables present summary information of operations by segment for the three months ended September 30, 2023 and 2022.

	For the Three Months Ended September 30, 2023		
	Staking Business	Leasing Business	Total
Revenue and other income	\$ 4,400	\$ -	\$ 4,400
Gross loss	\$ (14,600)	\$ -	\$ (14,600)
Total operating expenses	\$ (1,404,600)	\$ (176,400)	\$ (1,581,000)
Loss before income tax provision	\$ (1,447,300)	\$ (176,400)	\$ (1,623,700)
Net loss	\$ (1,447,700)	\$ (162,900)	\$ (1,610,600)
	For the Three Months Ended September 30, 2022		
	GameFi Business	Leasing Business	Total
Revenue and other income	\$ -	\$ -	\$ -
Gross loss	\$ -	\$ -	\$ -
Total operating expenses	\$ (1,381,100)	\$ (852,700)	\$ (2,233,800)
Loss before income tax provision	\$ (1,381,100)	\$ (852,700)	\$ (2,233,800)
Net loss	\$ (1,381,500)	\$ (841,600)	\$ (2,223,100)

MEGA MATRIX CORP.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated) 2023 separately.

9. OPERATING SEGMENTS (CONTINUED)

The following tables present summary information of operations by segment for the nine months ended September 30, 2023 and 2022.

	For the Nine Months Ended September 30, 2023		
	Staking Business	Leasing Business	Total
Revenue and other income	\$ 24,000	\$ -	\$ 24,000
Gross loss	\$ (239,900)	\$ -	\$ (239,900)
Total operating expenses	\$ (3,468,700)	\$ (1,305,200)	\$ (4,773,900)
Loss before income tax provision	\$ (3,751,200)	\$ (1,295,000)	\$ (5,046,200)
Net loss	\$ (3,752,400)	\$ (1,221,100)	\$ (4,973,500)
	For the Nine Months Ended September 30, 2022		
	GameFi Business	Leasing Business	Total
Revenue and other income	\$ 326,800	\$ 120,000	\$ 446,800
Gross (loss) profit	\$ (234,300)	\$ 120,000	\$ (114,300)
Total operating expenses	\$ (2,407,100)	\$ (2,082,200)	\$ (4,489,300)
Loss before income tax provision	\$ (2,641,400)	\$ (1,962,200)	\$ (4,603,600)
Net loss	\$ (2,642,600)	\$ (1,954,400)	\$ (4,597,000)

The following tables present total assets by segment as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
ETH Staking Business	\$ 8,837,700	\$ 11,120,100
Lease Business	196,100	1,431,700
	<b>\$ 9,033,800</b>	<b>\$ 12,551,800</b>

10. 13. COMMITMENTS AND CONTINGENCIES

In the ordinary course of the Company's business, the Company may be subject to lawsuits, arbitrations and administrative proceedings from time to time. The Company believes that the outcome of any existing or known threatened proceedings, even if determined adversely, should not have a material adverse effect on the Company's business, financial condition, liquidity or results of operations.

11. 14. SUBSEQUENT EVENTS

On October 19, 2023 April 17, 2024 and May 3, 2024, the Company entered an agreement to acquire an additional 2.6% equity interest in DaoMax for a cash consideration issued 37,350 shares and 600 shares of \$196,000. Upon common stock under the closing of the investment on October 20, 2023, the Company owned an aggregation of 7.6% equity interest in DaoMax. Amended and Restated 2021 Equity Incentive Plan, respectively.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read together with the Company's annual report on Form 10-K for the fiscal year ended December 31, 2022 and December 31, 2023 and the audited consolidated financial statements and notes included therein (collectively, the "2022-2023 Annual Report"), as well as the Company's unaudited condensed consolidated financial statements and the related notes included in this report. Pursuant to Instruction 2 to paragraph (b) of Item 303 of Regulation S-K promulgated by the SEC, in preparing this discussion and analysis, the Company has presumed that readers have access to and have read the disclosure under the same heading contained in the 2022-2023 Annual Report. This discussion and analysis contains forward-looking statements. Please see the cautionary note regarding these statements at the beginning of this report.

### Overview

#### Our business

Through our emergence from bankruptcy on September 30, 2021, and new investors and management, we became Mega Matrix Corp. (the "Company") is a holding company located in Palo Alto, California, with California. Since January 7, 2024, through Yuder Pte. Ltd. ("Yuder"), an indirect majority-controlled subsidiary of the following subsidiaries: Mega Metaverse Corp., Company, we operate FlexTV, a California corporation, JetFleet Management Corp, a California corporation short drama streaming platform based in Singapore. FlexTV produces English and formerly known Thai dramas that are also translated into different languages for our users, who are spread across various parts of the world such as JetFleet Holding Corporation, Saving Europe, America, and Southeast Asia. In addition to creating original dramas, Yuder also acquires third party content copyrights which it then translates and distributes on its FlexTV platform. To deliver diverse and international content to our users, Yuder's produces film in various parts of the world, including, but not limited to, the United States, Mexico, Australia, Thailand, and Philippines.

Prior to FlexTV, we, through our wholly-owned subsidiary, Savings Digital Pte. Ltd., a Singapore corporation Marsprotocol, Inc. ("SDP"), a Cayman Islands exempted company conducted solo-staking of our own cryptocurrency. In March 2024, the management has made the strategic decision to terminate the solo-staking business and Marsprotocol Technologies Pte. Ltd., a Singapore corporation, focus on short drama streaming platform development. In addition, as of the filing of this report, management decided not to hold Ethereum (ETH) and has since sold all of its ETH. However, the Company may continue to hold USDC and/or USDT, and will continue to accept and use USDC and USDT as it would like any other currencies.

Through Saving Digital Pte. Ltd, our wholly-owned subsidiary ("SDP"), we are currently engaged in solo-staking and provide proof-of-stake technology tools in Singapore for the Ethereum network. To **FlexTV Operations**

Our focus is to be a lesser extent, we are engaged leading short drama streaming platform in the provision global streaming video industry. FlexTV stands out as an innovative force, introducing short dramas as a unique form of aircraft advisory and management services since September 30, 2021, storytelling, committed to leading vertical screen entertainment globally.

For the period from September 19, 2022 through September 30, 2023, through SDP, the Company purchased 2,967.95 Ether (ETH) for the purpose of exploring Ethereum staking opportunities following the transition by Ethereum on September 15, 2022 from proof-of-work (PoW) to a proof-of-stake (PoS) consensus mechanism referred to as the "Merge." Prior to the Merge, Ethereum utilized a PoW validation method for digital asset transactions. Following the Merge, Ethereum shifted to a PoS validation system where validators stake their ETH into a smart contract on Ethereum to serve as collateral that can be destroyed if the validator behaves dishonestly or lazily. The validator (selected randomly) is then responsible for processing the blockchain transactions, storing data and adding new blocks to the blockchain. Validators receives a transaction fee on their staked coins in ETH as a reward for their active participation in the network. To become a validator on Ethereum, a participant must stake 32 ETH. As of September 30, 2023, SDP explored the Solo-Staking by staking 320 ETH to become ten (10) validators to Ethereum to earn ETH rewards and yield. Solo-Staking enables SDP to utilize its ETH treasury to stake on the Ethereum beacon chain and to earn ETH-denominated rewards directly from the Ethereum protocol. For the nine months ended September 30, 2023, the Company earned 8.2 ETH from solo-staking services and 1.9 ETH from provision of staking technology tools

On March 1, 2023, SDP and Bit Digital Singapore Pte. Ltd. ("Bit Digital"), entered

Short dramas aim to capture the essence of narratives within concise time frames, typically formatted vertically for optimal viewing on mobile phones, ranging from 1 (one) to 3 (three) minutes per episode. Each episode seamlessly integrates into a shareholders' agreement (the "Shareholders Agreement") series, where complete storylines unfold across 40 (forty) to over 100 (one hundred) episodes. Short dramas usually offer users a virtual escape, presenting narratives that resonate with Marsprotocol Technologies Pte. Ltd. ("MTP"), to provide proof-of-stake technology tools for emotions, fostering a sense of connection, and serving as a wellspring of comfort or inspiration in the digital assets through the staking platform "MarsProtocol", an institutional grade non-custodial staking technology. Pursuant to the Shareholders Agreement, SDP owned 60% and Bit Digital owned 40% of MTP. realm.

On August 4, 2023 The move from conventional TV streaming to short drama streaming is a worldwide shift, offering users enhanced options and increased flexibility in their entertainment choices. We acknowledge the significant and profound impact of short video platforms on viewer behaviors, characterized by shorter attention spans, vertical screen viewing, and increased multitasking. We leverage the substantial void between the long-form dramas provided by entities like Netflix and the predominantly influencer-created short videos.

The content characteristics of short dramas determine that they can be produced in quick batches and monetized rapidly. Users are used to scrolling through videos, movie narrations and at a faster pace. The threshold for short drama production has lowered, with lower costs, shorter cycles, and higher operational efficiency. Short dramas are more attractive, more direct, faster-paced, and better suited for mobile entertainment.

We recognize the significant impact of short video platforms like Facebook Reels, Instagram Reels, YouTube Shorts, TikTok, and others on user behaviors. Our dedication to innovative short dramas stems from a deep understanding of evolving viewing habits influenced by shorter attention spans and increased multitasking.

We are steadfast in delivering innovative content that connects with diverse audiences worldwide, promoting cultural appreciation and entertainment on a global scale, and bringing joy to the lives of users worldwide. The content characteristics of short dramas determine that they can be produced in quick batches and monetized rapidly.

### **Our Business Model**

FlexTV has already formed a mature content business model that integrates content production, distribution, and operation. Short drama content on the FlexTV platform is divided into two categories: one category consists of dramas in which we participate in production, primarily in English and Thai, and the other category consists of translated dramas, where we purchase the copyrights of completed high-quality short dramas from third parties and then translate them into multiple languages, including but not limited to, English, Spanish, Portuguese, Japanese, Korean, and Thai. As of April 30, 2024, Bit Digital exited its FlexTV had a total inventory of over 300 (three hundred) short dramas, with 204 (two hundred and four) already released. Among the released dramas, fifty-three (53) are self-produced.

A typical timeline for launching one short drama product is divided into three stages. The first stage is the script polishing period, which lasts approximately 15-30 days. The second stage is the filming and post-production stage, which lasts around 14-30 days. The third stage is the release stage, primarily lasting within 30-60 days.

To acquire the best scripts, FlexTV pioneered the adoption of studios nurturing and supporting content production partners. We have strict criteria for selecting short drama studios and their scripts. First, we integrate user research in the topic and script stages with internal original production and external procurement. Then, in the matching production studios and evaluation stage, we establish a stable producing process, efficient editing, and a hit production experience. This approach ensures a stable industrialized supply of content.

We generate platform revenue primarily through top-up and membership fees for services related to streaming content to our users and advertisements presented on our streaming service.

We offer a variety of streaming top-up and membership plans, the price of which varies by country and the features of the plan. Users typically can watch about five (5) to ten (10) episodes of each short drama on our platform for free. To continue watching, they will need to become subscription members or top up their account to acquire in-app coins on our platform, which are then used to continue viewing the short dramas. Users can also earn in-app coins to watch short dramas by completing daily and new user tasks, such as watching ads, inviting friends, and sharing FlexTV on Facebook and TikTok. The in-app coins can only be used on our platform and are not transferrable. Users can subscribe to FlexTV memberships on a weekly, monthly, or annual basis, and during the membership subscription period, users will have unlimited access to view any short drama on FlexTV. We measure monetization of our platform by calculating the average revenue per active user ("ARPU"), which we believe represents the inherent value of our business model.

### **Competitive Strengths**

We believe that FlexTV has the following competitive advantages:

**Content barrier:** We continuously nurture and incubate studios that supply content to our platform, assisting them in establishing industrialized production processes. In the short term, we provide funding for studio content production. FlexTV encourages healthy competition, and we anticipate more studios shifting towards producing short-form content in the future. As the number of studios on the platform increases and their capabilities improve, studios will raise funds independently to produce content. FlexTV provides more traffic and distribution resources for good content, significantly reducing the risk of platform investment in MTP and withdrew its capital contribution of SGC\$120,000 from MTP. content production.

**Network effects:** As the platform's content library accumulates, it attracts more users to watch content for longer durations, generating more revenue for the platform. This, in turn, attracts more studios to create content for the platform, resulting in a result of the transaction, SDP owns all outstanding ordinary shares of MTP, positive feedback loop.





**Global distribution resources:** We own the rights to series, translating them into various languages for global distribution. Through our proprietary advertising placement system, KOL distribution, and media copyright cooperation resources, we can rapidly increase the series' influence and generate substantial revenue within a short period. Outstanding distribution capabilities are a key reason why studios choose to collaborate with our streaming platform.

#### **User Growth Strengths**

**Major social media traffic distribution:** We achieve user growth by advertising on mainstream social media channels such as Facebook, TikTok, and Google. We edit highlights of our series into clips to attract users to download the FlexTV app.

**KOL marketing:** We invite Key Opinion Leaders (KOLs) to market our series on their social media accounts. When users download FlexTV and make deposits, KOLs can share in the deposit revenue. Through this way, we attract a large number of KOLs to proactively share content related to our series.

#### **Human Capital Resources**

As of April 30, 2024, we had over 100 individuals, including 11 full-time employees and the remainder being indirect contractors. None of our employees are represented by labor unions or covered by collective bargaining agreements. We consider our relationship with our employees to be good. In addition to our direct employment, Yuder has engaged over 90 indirect contractors through a services agreement with a third-party company based in Asia. This agreement, entered into in November 2023 provides a cost-efficient way to support FlexTV operations on an as-needed basis. The number of indirect contractors is still increasing with the development of FlexTV. This strategy provides flexibility in managing our workforce.

#### **International Markets**

FlexTV is available in more than 100 countries. Our production teams film in various locations including, but not limited to, United States, Mexico, Australia, Thailand, and Philippines. We will continue to expand our international markets and collaborate with local partners in each major market.

#### **Our Industry**

The short drama industry experienced explosive growth in 2023. According to China Securities Report, dated November 7, 2023, the total market size of short dramas in China in 2023 was expected to reach \$5 billion and monthly active users exceeding 100 million, fully validating the product. In addition, the market size of global short dramas will reach \$36 billion in 3 years. With short video platforms like TikTok cultivating user habits for fragmented and concise entertainment videos, the global short drama market is expected to continue growing. The vertical screen era is likely to give birth to emerging streaming media giants, and there are still opportunities for global large-scale streaming platforms similar to Netflix and Roku.

The short drama industry is likely to extensively incorporate the latest AI technologies, with the potential to integrate high-recognition IPs with short dramas. This includes AI-enabled face swapping, voice changing, and scene and content creation using verbal descriptions which could revolutionize content creation by significantly reducing production time and costs, enabling more creative freedom, and potentially democratizing access to high-quality video production for creators worldwide.

#### **Recent Corporate Developments**

On April 14, 2023 January 7, 2024, we the Company entered into an Amended and Restated closed a definitive Share Exchange Agreement and Plan of Merger (the "Merger" ("Exchange Agreement") with MarsProtocol Inc. FunVerse Holding Limited ("FunVerse"), an exempted a company incorporated under the laws of the Cayman Islands and a wholly-owned subsidiary of the Company ("MPU Cayman"), amending and restating the Agreement and Plan of Merger, dated December 7, 2022. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, the Company will merge with and into MPU Cayman (the "Redomicile Merger"), with MPU Cayman being the surviving company in the Redomicile Merger. Upon the effectiveness of the Redomicile Merger, (i) MPU Cayman will change its name from MarsProtocol Inc. to Mega Matrix Inc., and (ii) MPU Cayman, together with its subsidiaries, will own and continue to conduct the Company's business in substantially the same manner as is currently being conducted by the Company and its subsidiaries. The consent of the holders of a majority of the outstanding shares of the Company's common stock entitled to vote is required to approve and adopt the Merger Agreement.

On June 5, 2023, we entered into a Network Security Service Agreement (the "Service Agreement") with Vision Ace Limited, a company organized under the laws of the British Virgin Islands (the "Provider" and the sole parent company of Yuder, and the shareholders of FunVerse (collectively, "Sellers"). The Service Agreement has a term Before the closing of 12 months, commencing on June 5, 2023. Pursuant to the Service Exchange Agreement, the Sellers held 85,625,000 ordinary shares of FunVerse, \$0.0001 par value per share, which represents all of the issued and outstanding shares of FunVerse. Under the Exchange Agreement, Sellers will exchange 51,375,000 of their FunVerse's shares for 1,500,000 shares of common stock of the Company, has par value \$0.001



“Common Stock”), as per terms and conditions set forth in the Exchange Agreement (the “Share Exchange”), free and clear of all liens (other than potential restrictions on resale under applicable securities laws), which the parties agreed to engage is valued at \$2,175,000, or \$1.45 per share of Common Stock. Following the Provider to provide network security service, Share Exchange, the Company owned sixty percent (60%) of capital stock of FunVerse.

On April 25, 2023 January 12, 2024, we, through our 100% controlled Singapore subsidiary SDP, invested \$300,000 in MarsLand Global Limited (“MarsLand” the Company entered into a Unit Subscription Agreement (the “Agreement”) with certain investors (collectively the “Subscribers”), pursuant to which the Subscribers agreed, subject to certain terms and conditions of the Agreement, to purchase an aggregate of 2,490,000 units (the “Units”) for an aggregate purchase price of \$3,735,000, or \$1.50 per unit (the “Offering Purchase Price”). Each Unit consists of one (1) share of common stock of the Company, \$0.001 par value, and one (1) warrant (the “Warrant”), with each Warrant entitling the holder to purchase one share of common stock at an exercise price of \$1.50 per share at any time for a BVI company and held 30% interest in MarsLand. The other shareholders period of MarsLand are non-affiliated.

From the end of April up to the end of June 2023, which was a transition period, we terminated cooperation with an outsourced third-party IT company to develop and maintain our MarsProtocol staking platform. There are no penalties or contingencies arising five (5) years starting six (6) months from the termination issuance date at which time the Warrant will expire (“Offering”). The Agreement contains customary representations, warranties and covenants of cooperation. As a result, effective July 1, 2023, we do not provide non-custodial staking tools the parties, and the closing is subject to third parties.

MarsLand provides staking services to institutional clients, including us and Bit Digital. Further, SDP is applying for customary closing conditions. The closing of the trademark “MarsProtocol” Offering occurred on January 17, 2024. After the successful application, SDP will authorize MarsLand to use the trademark MarsProtocol to conduct MarsLand’s staking as a service (“StaaS”) business. MarsLand will provide StaaS business of which we may utilize their services. We may also continue to conduct Ethereum solo-staking as part of our own business.

On August 24, 2023, per the recommendation of JetFleet’s the board of directors we, of JetFleet Management Corp.(“JMC”), the Company, as a holder of a majority of the voting stock of JetFleet, JMC, elected to approve the winding up and dissolution of Jetfleet. As part of the winding up process, Jetfleet will cease JMC. In December 2023, JMC ceased providing of aircraft advisory and management services.

On October 19, 2023, we entered an agreement to acquire an additional 2.6% equity interest in DaoMax for a cash consideration of \$196,000. Upon the closing of the investment on October 20, 2023, services upon winding up and the Company owned an aggregation of 7.6% equity interest in DaoMax.

Ethereum Rewards

During the nine months ended September 30, 2023 we earned an aggregate of 8.2 ETH as rewards from our solo-staking deconsolidated JMC and 1.9 ETH in fees generated from our proof-of-stake technology tools for digital assets through the staking platform “MarsProtocol”, its subsidiaries.

The following table presents our ETH activities for the nine months ended September 30, 2023:

	Number of ETH	Amount <sup>(1)</sup>
Balance at December 31, 2022	334.2	\$ 369,200
Receipt of ETH as staking reward	8.2	14,000
Receipt of ETH from provision of staking technology tools	1.9	3,700
Exchange of cash and stable coins into ETH	1,567.6	2,894,300
Exchange of USDT into ETH	1,099.6	1,904,700
Repayment of borrowings of ETH to a third party	(32.0)	(34,600)
Payment of other expenses	(0.7)	(19,500)
Impairment of ETH	-	(713,100)
Balance at September 30, 2023	2,978.8	\$ 4,418,700

(1) Receipt of digital assets from staking reward are the product of the number of ETH received multiplied by the ETH price obtained from Coinmarketcap, calculated on a daily basis. Sales of digital assets are the actual amount received from sales.



## As Key Components of Results of Operations

### Revenues

We generated revenue primarily from (i) membership and top-up streaming services and (ii) online advertising services. For the three months ended March 31, 2024 and 2023, our revenues were comprised of the date of this report, we did not collateralize these digital assets for any loan, margin, rehypothecation, or other similar activities following:

	For the Three Months Ended March 31,	
	2024	2023
Membership and top-up streaming services revenue	\$ 8,048,200	\$ -
Online advertising services revenue	643,400	-
	<b>\$ 8,691,600</b>	<b>\$ -</b>

### Membership and top-up streaming services revenue

We offer membership services to which we or our affiliates are a party. In addition, we have not issued any digital assets or hold any digital assets on behalf of third parties. As subscribing members with various countries and the features of the date plan, which primarily include access to exclusive and ad-free streaming of this filing, we have not experienced any excessive redemption short dramas, and accelerated downloads and others. Users are optional to become weekly, monthly or withdrawals, or have suspended redemptions or withdrawals, of digital assets, annual membership on the short drama streaming platform. Users can also top up their accounts to acquire in-app coins on our platform, which are then used to continue viewing the short dramas. Users can also earn in-app coins to watch short dramas by completing daily and new user tasks.

Our belief that We recognize revenues ratably over the ETH membership period and other digital assets that we hold consumption of in-app coins as services are not securities based on a risk assessment and not a legal standard nor binding on the SEC or any other regulators. If USDC, USDT, or ETH are deemed to be securities 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 digital asset. See the discussion in the risk factor “A particular digital asset’s status, such as an ETH, as a “security” in any relevant jurisdiction is subject to a high degree of uncertainty and if a regulator disagrees with our characterization of the ETH and other stable cryptocurrencies, we may be subject to regulatory scrutiny, investigation, fines and penalties, which may adversely affect our business, operating results and financial condition. A determination that an ETH or stable cryptocurrencies is a “security” may adversely affect the value of those ETH, stable cryptocurrencies, and our business” as described under “Risk Factors – Risks Related to our Business” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. rendered.

	For the Three Months Ended March 31, 2024		
	United States	Other Countries	Total
<b>Membership and top-up streaming services revenue</b>			
Top-up streaming services	\$ 3,416,500	\$ 3,206,900	\$ 6,623,400
Membership streaming services	978,400	446,400	1,424,800
	<b>\$ 4,394,900</b>	<b>\$ 3,653,300</b>	<b>\$ 8,048,200</b>
<b>Recharge from users</b>			
Top-up streaming services	\$ 5,014,100	\$ 2,658,300	\$ 7,672,400
Membership streaming services	1,151,000	522,800	1,673,800
	<b>\$ 6,165,100</b>	<b>\$ 3,181,100</b>	<b>\$ 9,346,200</b>
<b>Quarterly Active Users (“QAU”)(1)</b>	<b>787,400</b>	<b>1,830,100</b>	<b>2,617,500</b>

Average membership and top-up streaming services revenue per active user (“ARPU”)(2)	\$ 5.58	\$ 2.00	\$ 3.07
Quarterly Paying Users (“QPU”) (3)	166,550	156,182	322,732
Average membership and top-up streaming services revenue per paying user (“ARPPU”)(4)	\$ 26.39	\$ 23.39	\$ 24.94

#### Segment

- (1) An active user is defined as a user who has downloaded and opened FlexTV app at least once.
- (2) ARPU is defined as average membership and top-up streaming services revenue generated by each active user in one quarter.
- (3) A paying user is defined as a user who has registered for a membership or topping up, provided a method of payment, and is entitled to access FlexTV services. This membership or topping up does not include participation in free trials or other promotional offers extended by the company to new users.
- (4) ARPPU is defined as average membership and top-up streaming services revenue generated by each paying user in one quarter.

#### Online advertising services revenue

We sell advertising services by delivering brand advertising primarily to third-party advertising agencies. We provide advertisement placements on our short drama streaming platform in different formats, including but not limited to video, banners, links, logos, brand placement and Related Information buttons. We identify one performance obligation in the contracts with customers. Revenues are recognized over time based on amounts invoiced to the customers.

### **Cost of revenues**

For the three and nine months ended September 30, 2022 March 31, 2024, the Company had two business segments cost of revenues was primarily comprised of platform service fees charged by third party payment processors, amortization of produced contents and software and copyrights which were comprised applied to produce short dramas and other expenses which were directly attributable to producing short dramas.

	For the Three Months Ended March 31,	
	2024	2023
Platform service fees charged by third party payment processors	\$ 2,698,800	\$ -
Amortization of content assets	546,600	-
Others	254,800	-
	<b>\$ 3,500,200</b>	<b>\$ -</b>

### **Selling expenses**

Selling and marketing expenses primarily consist of 1) advertising expenses, primarily composed of traffic expenses, and other miscellaneous expenses.

	For the Three Months Ended March 31,	
	2024	2023
Advertising expenses	\$ 7,673,900	\$ 5,300
Others	44,500	-
	<b>\$ 7,718,400</b>	<b>\$ 5,300</b>

### **General and administrative expenses**

General and administrative expenses primarily consist of (i) IT expenses, (ii) payroll and welfare expenses advertising expenses; (iii) professional and consulting expenses including legal expenses, audit expenses and other consultants, (iv) NYSE related expenses, and (v) other miscellaneous expenses.

	For the Three Months Ended March 31,	
	2024	2023
IT expenses	\$ 554,400	\$ 234,500
Payroll and welfare expenses	562,700	346,000
Consulting expenses	143,500	66,000
Legal expenses	488,100	321,200
Audit expenses	172,500	177,500
NYSE related expenses	120,000	-
Others	197,200	371,600
	<b>\$ 2,238,400</b>	<b>\$ 1,516,800</b>

## Income taxes

We account for income taxes in accordance with the GameFi authoritative guidance, which requires income tax effects for changes in tax laws to be recognized in the period in which the law is enacted.

### Cayman Islands

Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains. Additionally, upon payments of dividends by us or our subsidiaries in the Cayman Islands to their shareholders, no withholding tax will be imposed.

### United States

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. Currently we are not under any audit examination from federal or state tax authority in the United States.

### Singapore

We are subject to corporate income tax for its business operation in Singapore. Tax on corporate income is imposed at a flat rate of 17% based on the adjusted taxable income.

Deferred tax assets and 2) the leasing of regional aircraft to foreign and domestic regional airlines. However, due to regulatory challenges, the Company, on November 4, 2022, discontinued the Mano game and the alSpace platform. Accordingly, liabilities are recognized using enacted tax rates for the three effect of temporary differences between the book and nine months ended September 30, 2023, tax bases of recorded assets and liabilities. The ASC 740 – Accounting for Income Tax guidance also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that a portion of the Company had two business segments which were comprised deferred tax asset will not be realized.

We have determined that a valuation allowance is necessary against the full population of 1) the ETH staking business, deferred tax assets as based on all available evidence, we do not anticipate that our future taxable income will be sufficient to recover our deferred tax assets. However, should there be a change in our ability to recover our deferred tax assets, we will re-value our position and 2) release a portion or all the leasing of regional aircraft to foreign and domestic regional airlines, valuation allowance if required.

The following tables present summary information calculation of operations our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. In accordance with the authoritative guidance on accounting for uncertainty in income taxes, we recognize liabilities for uncertain tax positions based on the two-step process. The first step is to evaluate the tax position for recognition by segment for determining if the three months ended September 30, 2023 and 2022. weight of available evidence indicates that it is more likely than not that the position will be sustained in audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. As of March 31, 2024, we do not have any uncertain tax positions based on our analysis.

	For the Three Months Ended September 30, 2023		
	Staking Business	Leasing Business	Total
Revenue and other income	\$ 4,400	\$ -	\$ 4,400
Gross loss	\$ (14,600)	\$ -	\$ (14,600)
Total operating expenses	\$ (1,404,600)	\$ (176,400)	\$ (1,581,000)
Loss before income tax provision	\$ (1,447,300)	\$ (176,400)	\$ (1,623,700)
Net loss	\$ (1,447,700)	\$ (162,900)	\$ (1,610,600)

We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activities. Any change in these factors could result in the recognition of a tax benefit or an additional charge to the tax provision.

	For the Three Months Ended September 30, 2022		
	GameFi Business	Leasing Business	Total
Revenue and other income	\$ -	\$ -	\$ -
Gross loss	\$ -	\$ -	\$ -
Total operating expenses	\$ (1,381,100)	\$ (852,700)	\$ (2,233,800)

Loss before income tax provision	\$ (1,381,100)	\$ (852,700)	\$ (2,233,800)
Net loss	\$ (1,381,500)	\$ (841,600)	\$ (2,223,100)

The following tables present summary information of operations by segment for the nine months ended September 30, 2023 and 2022.

	For the Nine Months Ended September 30, 2023		
	Staking Business	Leasing Business	Total
Revenue and other income	\$ 24,000	\$ -	\$ 24,000
Gross loss	\$ (239,900)	\$ -	\$ (239,900)
Total operating expenses	\$ (3,468,700)	\$ (1,305,200)	\$ (4,773,900)
Loss before income tax provision	\$ (3,751,200)	\$ (1,295,000)	\$ (5,046,200)
Net loss	\$ (3,752,400)	\$ (1,221,100)	\$ (4,973,500)
	For the Nine Months Ended September 30, 2022		
	GameFi Business	Leasing Business	Total
Revenue and other income	\$ 326,800	\$ 120,000	\$ 446,800
Gross (loss) profit	\$ (234,300)	\$ 120,000	\$ (114,300)
Total operating expenses	\$ (2,407,100)	\$ (2,082,200)	\$ (4,489,300)
Loss before income tax provision	\$ (2,641,400)	\$ (1,962,200)	\$ (4,603,600)
Net loss	\$ (2,642,600)	\$ (1,954,400)	\$ (4,597,000)

### Results of Operations

The following table represents our unaudited condensed consolidated statement of operations for the three months years ended September 30, 2023 March 31, 2024 and 2022, 2023.

	For the Three Months Ended September 30,	
	2023	2022
Revenues and other income	\$ 4,400	\$ -
Cost of revenues	(19,000)	-
<b>Gross loss</b>	<b>(14,600)</b>	<b>-</b>
Expenses:		
Impairment of digital assets	490,100	2,100
Impairment of intangible assets	-	888,900
Loss from exchange of digital assets	600	-
Professional fees, general administrative and other	612,200	789,300
Salaries and employee benefits	372,200	467,300
IT expenses	2,400	-
Insurance	98,900	86,200
Other taxes	-	2,800
Marketing expenses	4,600	-



<b>Total operating expenses</b>	<b>1,581,000</b>	<b>2,233,800</b>
Other expenses, net	(28,100)	-
Loss from operations before income tax expenses	<b>(1,623,700)</b>	<b>(2,233,800)</b>
Income tax benefits	13,100	10,700
<b>Net loss and comprehensive loss</b>	<b>\$ (1,610,600)</b>	<b>\$ (2,223,100)</b>

	<b>For the Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	(revised)	
Revenues	\$ 8,691,600	\$ -
Cost of revenues	(3,500,200)	-
Gross profit	<b>5,191,400</b>	-
<b>Operating expenses:</b>		
Selling expenses	(7,718,400)	(5,300)
General and administrative expenses	(2,238,400)	(1,516,800)
<b>Total operating expenses</b>	<b>(9,956,800)</b>	<b>(1,522,100)</b>
<b>Loss from operations</b>	<b>(4,765,400)</b>	<b>(1,522,100)</b>
<b>Other income (expenses):</b>		
Changes in fair value of digital assets	2,540,700	215,400
Interest expenses, net	(2,500)	-
Other income, net	14,900	8,500
<b>Total other income, net</b>	<b>2,553,100</b>	<b>223,900</b>
<b>Loss from operations before income tax</b>	<b>(2,212,300)</b>	<b>(1,298,200)</b>
Income tax benefits	276,600	61,300
<b>Net loss</b>	<b>\$ (1,935,700)</b>	<b>\$ (1,236,900)</b>

## Revenues

In January 2024, we commenced operations of FlexTV, which is a short drama streaming platform, through Yuder. For the three months ended March 31, 2024, we generated revenues from membership and top-up streaming services of \$8,048,200 and online advertising service of \$643,400, respectively. For the three months ended March 31, 2024, we had paying users of 322,732, among which 166,550 were from the United States. We earned ARPPU of \$24.94 for the first quarter of 2024. For the three months ended March 31, 2023, we were engaged in solo-staking business, which was ceased in March 2024. Accordingly we reclassified the revenues from solo-staking business to other income, net.

#### Revenues *Cost of revenues*

For the three months ended September 30, 2023 March 31, 2024, the cost of revenues was primarily comprised of platform service fees charged by third party payment processors and 2022, we generated revenues amortization of \$4,400 produced contents and \$nil, respectively, from solo-staking business. software and copyrights which were applied to produce short dramas.

Effective July 1, 2023, we do not provide non-custodial staking tools to third parties. For the three months ended September 30, 2023, we generated revenues from solo-staking services only.

For the three months ended September 30, 2022, we did not generate revenues, because we discontinued our Mano game and the alSpace platform in November 2022 due to regulatory challenges, and the solo-staking services did not commence until the fourth quarter of 2022.

#### *Cost of Sales*

For the three months ended September 30, 2023 and 2022, we incurred cost of revenues of \$19,000 and \$nil, respectively. For the three months ended September 30, 2023 March 31, 2023, the cost of revenues was primarily consisted comprised of IT expenses which were incurred to support our solo staking solo-staking business.

#### *Gross Loss*

Gross loss for With the three months ended September 30, 2023 cessation of the business in March 2024 and 2022, reclassification of revenues to other income, we reclassified the gross loss was \$14,600 and \$nil.

#### *Total Operating Expenses*

Total operating expenses for the three months ended September 30, 2023 decreased by \$0.65 million or 29%, cost of revenues to \$1.58 million compared to \$2.23 million for the three months ended September 30, 2022. The changes in expenses were primarily caused by impairment of digital assets, impairment of intangible assets, and professional fees and other general and administrative expenses.

**Impairment of digital assets.** For the three months ended September 30, 2023 and 2022, we recognized an impairment of \$490,100 and \$2,100 against ETH, respectively. We measured for impairment of digital assets whenever indicators of impairment are identified based on the intraday low quoted price of digital assets.

**Impairment of intangible assets.** For the three months ended September 30, 2023 and 2022, we recognized an impairment of \$nil and \$888,900 against intangible assets as we have suspended the Mano game and the alSpace platform, and we abandoned the related software in November 2022. Accordingly, we provided full impairment against the software.

**Professional fees, general and administrative and other expenses.** The breakdown of Professional fees, general and administrative and other expenses was as the following table:

	For the Three Months Ended September 30,	
	2023	2022
Consulting expenses	\$ 152,900	\$ 239,600
Legal expenses	148,600	91,500
Audit fee	13,900	18,600
Rent	62,900	73,800
Travel expenses	37,700	39,400
Others	196,200	326,400

	<u>\$ 612,200</u>	<u>\$ 789,300</u>
Professional fees, general and administrative and other expenses decreased by \$0.18 million, or 22% to \$0.61 million in the three months ended September 30, 2023 from \$0.79 million in the three months ended September 30, 2022. The decrease was primarily caused by (i) a decrease of consulting expenses of \$86,700, as we did not provide non-custodial staking tools to third parties since July 2023, and (ii) a decrease of other office expenses of \$0.13 million because we reduced certain office supply expenses with decrease of business.		

### *Gross profit*

Gross profit for the three months ended March 31, 2024 and 2023 was \$5,191,400 and \$nil, respectively.

### *Selling expenses*

For the three months ended March 31, 2024, we incurred selling expenses of \$7,718,400, which was primarily incurred for advertising expenses of \$7,673,900, which was incurred for our short drama streaming platform.

For the three months ended March 31, 2023, we incurred advertising expenses of \$5,300 which was incurred for our solo-staking business.

### *General and administrative expenses*

For the three months ended March 31, 2024, we incurred general and administrative expenses of \$2,238,400, representing an increase of \$721,600, or 47.6% from \$1,516,800 for the three months ended March 31, 2023. The increase was primarily attributed to an increase of \$319,900 in IT expenses because we incurred more IT support expenses for our short drama streaming platform, and an increase of \$216,700 in payroll and welfare expenses because we had an increase in headcounts with acquisition of Yuder in January 2024.

### *Income tax (expenses) benefits*

The Company recorded income tax benefits of \$13,100 \$276,600 in the three months ended September 30, 2023, first quarter of 2024, or 0.81% 12.5% of pre-tax loss, compared to \$10,700 \$61,300 income tax benefits, or 0.48% 3.56% of pre-tax loss in the three months ended September 30, 2022, first quarter of 2023. The difference in the effective federal income tax rate from the normal statutory rate in the three months ended September 30, 2023 first quarter of 2023 was primarily because we recognized tax benefits arising from the increase in foreign income tax receivable, the uncertain tax benefit reserve release due to the expiration reduction of Statue of Limitations, and the Company applied a full valuation allowance on its deferred tax assets.

In assessing the valuation of deferred tax assets the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or availability to carryback the losses to taxable income during periods in which those temporary differences become deductible. The Company considered several factors when analyzing the need for a valuation allowance including the Company's current three-year cumulative loss through September 30, 2023, the current year operation forecast, the Company's recent filing for protection under Chapter 11 of the bankruptcy code, the operation uncertainty of the Company's new business. Based on this analysis, the Company has concluded that a valuation allowance is necessary for its U.S. and foreign deferred tax assets not supported by either future taxable income or availability of future reversals of existing taxable temporary differences and has recorded a full valuation allowance on its deferred tax assets.

In addition, the Company has closely monitored the development of Pillar Two - Global Minimum Tax- introduced by the Organization for Economic Co-operation and Development ("OECD") and the impact on the Company's effective tax rate. As of September 30, 2023, the Company expects no impact from the Pillar Two as the Company's worldwide revenue is below the revenue threshold.

### *Net Loss*

As a result of the foregoing, net loss for the three months ended September 30, 2023 decreased by \$0.61 or 28%, to \$1.61 million as compared to \$2.22 million for the three months ended September 30, 2022.

The following table represents our unaudited condensed consolidated statement of operations for the nine months ended September 30, 2023 and 2022.

	For the Nine Months Ended September 30,	
	2023	2022
Revenues and other income	\$ 24,000	\$ 446,800
Cost of revenues	(263,900)	(561,100)
<b>Gross loss</b>	<b>(239,900)</b>	<b>(114,300)</b>

Expenses:		
Impairment of digital assets	713,100	10,400
Impairment of intangible assets	-	888,900
Loss from exchange of digital assets	12,100	-
Professional fees, general administrative and other	2,403,500	1,790,700
Salaries and employee benefits	1,312,400	1,703,600
IT expenses	10,400	-
Insurance	296,700	272,900
Interest expenses	-	120,000
Other taxes	-	2,800
Marketing expenses	25,700	-
<b>Total operating expenses</b>	<b>4,773,900</b>	<b>4,489,300</b>
Other expenses, net	(32,400)	-
Loss from operations before income tax expenses	<b>(5,046,200)</b>	<b>(4,603,600)</b>
Income tax benefits	72,700	6,600
<b>Net loss and comprehensive loss</b>	<b>\$ (4,973,500)</b>	<b>\$ (4,597,000)</b>

## Revenues

Revenues decreased by \$0.42 million to \$24,000 in the nine months ended September 30, 2023 from \$0.45 million in the nine months ended September 30, 2022.

For the nine months ended September 30, 2023, we generated revenues of \$14,000 from solo-staking and revenues of \$10,000 from provision of staking technology tools. Both solo-staking services and provision of staking technology tools were just launched in the fourth quarter of 2022. Effective July 1, 2023, we do not provide non-custodial staking tools to third parties.

For the nine months ended September 30, 2022, we generated revenues of \$0.33 million from GameFi business and revenues of \$0.12 million from operating lease business. However we discontinued our Mano game and the alSpace platform in November 2022 due to regulatory challenges, and we did not generate operating lease income in the first half of 2023.

## Cost of Sales

Cost of sales for the nine months ended September 30, 2023, decreased by \$0.30 million, or 53%, to \$0.26 million compared to \$0.56 million for the nine months ended September 30, 2022.

For the nine months ended September 30, 2023, the cost of revenues primarily consisted of IT expenses which were incurred to support our solo staking business. While for the nine months ended September 30, 2022, the cost of revenue primarily consisted of expenses which were incurred to design and develop our Mano game and the alSpace platform.

## Gross Loss

Gross loss for the nine months ended September 30, 2023 increased by \$0.13 million or 110%, to \$0.24 million compared to gross loss of \$0.11 million for the nine months ended September 30, 2022 as a result of changes in of our operating business from operating Mano game to staking services.

## Total Operating Expenses

Total operating expenses for the nine months ended September 30, 2023 increased by \$0.28 million or 6%, to \$4.77 million compared from \$4.49 million for the nine months ended September 30, 2022. The changes in expenses were primarily caused by impairment of digital assets, impairment of intangible assets, interest expenses, and professional fees and other general and administrative expenses.

**Impairment of digital assets.** For the nine months ended September 30, 2023 and 2022, we recognized impairment of \$0.71 million and \$10,400 against ETH, respectively. We measured for impairment of digital assets whenever indicators of impairment are identified based on the intraday low quoted price of digital assets.

**Impairment of intangible assets.** For the nine months ended September 30, 2023 and 2022, we recognized an impairment of \$nil and \$888,900 against intangible assets as we have suspended the Mano game and the alSpace platform, and we abandoned the related software in November 2022. Accordingly, we provided full impairment against the software.

**Interest.** The Company's interest expense decreased by \$0.12 million, or 100% to \$nil million in the nine months ended September 30, 2023 from \$0.12 million in the same period of 2022. The change was mainly due to the fact that we did not involve in aircraft operating lease business for the nine months ended September 30, 2023 and thus did not incur interest expenses.

**Professional fees, general and administrative and other expenses.** The breakdown of Professional fees, general and administrative and other expenses was as the following table:

	For the Nine Months Ended September 30,	
	2023	2022
Consulting expenses	\$ 1,157,700	\$ 633,600
Legal expenses	256,700	295,800
Audit fee	203,900	31,800
Rent	188,900	99,300
Travel expenses	69,600	123,400
Others	526,700	606,800
	<u>\$ 2,403,500</u>	<u>\$ 1,790,700</u>

Professional fees, general and administrative and other expenses increased by \$0.61 million, or 34% to \$2.40 million in the nine months ended September 30, 2023 from \$1.79 million in the nine months ended September 30, 2022. The increase was primarily caused by (i) an increase of consulting expenses of \$0.52 million to support our solo-staking service which was launched in the fourth quarter of 2022, and (ii) an increase in audit fees because we filed Form F-4 in the nine months ended September 30, 2023 leading to higher fees charged by our auditor.

#### *Income tax benefits*

The Company recorded income tax benefits of \$72,700 in the nine months ended September 30, 2023, or 1.44% of pre-tax loss, compared to \$6,600 income tax benefits, or 0.14% of pre-tax loss in the nine months ended September 30, 2022. The difference in the effective federal income tax rate from the normal statutory rate in the nine months ended September 30, 2023 was primarily because the increase in foreign income tax receivable, the uncertain tax benefit reserve release due to the expiration of Statue of Limitations, and the Company applied a full valuation allowance on its deferred tax assets. FunVerse.

In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or availability to carryback the losses to taxable income during periods in which those temporary differences become deductible. The Company considered several factors when analyzing the need for a valuation allowance including the Company's current three-year cumulative loss through September 30, 2023 March 31, 2024, the current year operation forecast, the Company's recent filing for protection under Chapter 11 of the bankruptcy code, as well as the operation uncertainty of the Company's new business. Based on this analysis, the Company has concluded that a valuation allowance is necessary for its U.S. and foreign deferred tax assets not supported by either future taxable income or availability of future reversals of existing taxable temporary differences and has recorded a full valuation allowance on its deferred tax assets.

In addition, the Company has closely monitored the development of Pillar Two - Global Minimum Tax- introduced by the Organization for Economic Co-operation and Development ("OECD") and the impact on the Company's effective tax rate. As of September 30, 2023, the Company expects no impact from the Pillar Two as the Company's worldwide revenue is below the revenue threshold.

#### *Net Loss*

As a result of the foregoing, net loss for the nine three months ended September 30, 2023 March 31, 2024 increased by \$0.38 million \$698,800 or 8% 56.5%, to \$4.97 million as compared to \$4.60 million \$1,935,700 from \$1,236,900 for the nine three months ended September 30, 2022 March 31, 2023.

## Liquidity and Capital Resources

On January 20, 2023 To date, we have financed our operating and February 15, 2023 investing activities primarily through cash generated from operating activities and equity financing through private placements. As of March 31, 2024, the Company closed held cash of approximately \$2.9 million, stable coins of approximately \$3.1 million and digital assets of approximately \$7.9 million, which were easily convertible into cash over the market.

On January 12, 2024, we entered into a private placement by offering 4,314,615 shares Unit Subscription Agreement with certain investors, pursuant to which the investors agreed to purchase an aggregate of 2,490,000 units (the “Units”) for an aggregate purchase price of \$3,735,000, or \$1.50 per unit. Each Unit consists of one (1) share of common stock of the Company, \$0.001 par value, and 765,384 shares one (1) warrant (the “Warrant”), with each Warrant entitling the holder to purchase one share of common stock respectively. The at an exercise price of \$1.50 per share price was \$1.30. at any time for a period of up to five (5) years starting six (6) months from the issuance date at which time the Warrant will expire. The received gross proceeds aggregating \$6.6 million private placements closed on January 17, 2024.

For As of March 31, 2024, we had working capital of approximately \$9.5 million, which is expected to support our operating and investing activities for the nine months ended September 30, 2023 and 2022, the Company reported net losses of \$5.0 million and \$4.6 million, respectively, and cash flows of \$2.0 million and \$4.7 million used in operating activities. In addition, the Company had accumulated deficits of \$17.9 million and \$13.4 million as of September 30, 2023 and December 31, 2022 respectively. These conditions raised substantial doubt about the Company’s ability to continue as a going concern. next 12 months.

The Company’s liquidity is based on its ability to generate cash from operating activities and obtain financing from investors to fund its general operations and capital expansion needs. The Company’s ability to continue as a going concern is dependent on management’s ability to successfully execute its business plan, which includes increasing revenue while controlling operating cost and expenses to generate positive operating cash flows and obtain financing from outside sources.

As of September 30, 2023, the Company had working capital of \$7.1 million, among which the Company held cash of \$2.0 million, stable coins of \$9,700 and digital assets of \$5.0 million, which were highly liquid and easily convertible into cash over the market. Given the financial condition of the Company and its operating performance, the Company assesses current working capital is sufficient to meet its obligations for the next 12 months from the issuance date of this report. Accordingly, management continues to prepare the Company’s unaudited condensed consolidated financial statements on going concern basis.



The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities at the date of the financial statements, (ii) the disclosure of contingent assets and liabilities, and (iii) the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates and judgments are used when accounting for the application of fresh start accounting, realization of goodwill, current value of the Company's assets held for sale, the amount and timing of future cash flows associated with each asset that are used to evaluate whether assets are impaired, accounting for income taxes, and the amounts recorded as allowances for doubtful accounts, credit losses.

## Cash Flow

	For the Nine Months Ended June 30,	
	2023	2022
Net cash used in operating activities	\$ (1,965,200)	\$ (4,671,200)
Net cash used in investing activities	(4,636,400)	(6,200)
Net cash provided by financing activities	1,305,000	2,200,000
Net decrease in cash and cash equivalents	(5,296,600)	(2,477,400)
Cash, cash equivalents, beginning of period	7,263,600	7,380,700
Cash, cash equivalents, end of period	<u>\$ 1,967,000</u>	<u>\$ 4,903,300</u>

The following table sets forth a summary of our cash flows for the years ended March 31, 2024 and 2023 presented:

	For the Three Months Ended March 31,	
	2024	2023
Net cash (used in) provided by operating activities	(96,900)	78,700
Net cash used in investing activities	(991,700)	-
Net cash provided by financing activities	809,900	1,305,000
Net (decrease) increase in cash and cash equivalents	(278,700)	1,383,700
Cash, cash equivalents, beginning of period	3,129,800	7,263,600
<b>Cash, cash equivalents, end of period</b>	<b><u>\$ 2,851,100</u></b>	<b><u>\$ 8,647,300</u></b>

### Operating activities

The Company reported Net cash flows of \$2.0 million used in operating activities for the nine three months ended September 30, 2023, which March 31, 2024 was mainly \$96,900, primarily attributable to collection net loss of income tax refund approximately \$1.9 million, adjusted for (a) non-cash items including an increase in fair value of \$1.1 million from tax bureau, partially offset approximately \$2.5 million in digital assets, amortization of content assets of approximately \$0.5 million, and share-based compensation expenses to certain employees of approximately \$0.3 million, and (b) changes in operating assets and liabilities including (i) a decrease of digital assets of approximately \$0.7 million as we exchanged ETH into USDC, (ii) an increase of approximately \$2.3 million of prepaid expenses, an increase of approximately \$1.2 million in contract liabilities and an increase of approximately \$4.6 million, all of which were caused by payment acquisition of \$3.4 million Yuder in salary expenses, consulting expenses, IT expenses and travel expenses. January 2024.

Our net The Company reported cash outflow inflow of \$78,700 from operations was \$4.7 million operating activities for the nine three months ended September 30, 2022, which was mainly March 31, 2023 primarily attributable to payment net loss of \$1.7 million approximately \$1.2 million, adjusted for salaries increase in fair value of ETH of approximately \$0.2 million, and welfare, (b) changes in operating assets and payment liabilities including (i) a decrease of \$1.8 million for professional fees \$0.2 million in prepaid expenses and legal expenses with our launch other assets, (ii) a decrease of our GameFi business, \$0.7 million for the maintenance cost for the platform, tax receivable of approximately \$1.1 million because we received tax refund from tax authorities, partially net off by (iii) an increase of approximately \$0.3 million in other current liabilities and payment of interest expenses of \$0.1 million, accrued expenses.

### Investing activities

For the nine months ended September 30, 2023, the Company reported cash flows of \$4.6 million used in investing activities, which was primarily attributable to investment of \$1.4 million in two equity investees, purchase of digital assets of \$3.1 million and purchase of stable coins of \$0.1 million.

For the nine months ended September 30, 2022, we invested \$10,000 to acquire all of the equity interest in Saving Digital Pte. Ltd., a Singapore corporation exempt private company limited by shares ("SDP") with minimal net assets of \$3,800, from our chairman, Yucheng Hu.

#### Financing activities

For the nine three months ended September 30, 2023 March 31, 2024, the Company had cash inflows of \$1.3 million from financing flow used in investing activities was approximately \$1.0 million, which was primarily attributable to proceeds purchase of \$1.3 million raised from private placements digital assets of approximately \$0.6 million and capital contribution investment in equity investees of \$0.1 million a non-controlling shareholder, approximately \$0.5 million, partially offset by withdrawal acquisition of capital cash of approximately \$0.1 million from the non-controlling shareholder, acquisition of Yuder.

For the nine three months ended September 30, 2022 March 31, 2023, we received \$ 2.2 million did not generate cash flows or use cash flows for investing activities.

#### Financing activities

For the three months ended March 31, 2024, we raised cash of approximately \$0.8 million from private placement closed in January 2024.

For the three months ended March 31, 2023, we raised cash and \$775,000 of approximately \$1.3 million from private placement closed in USDC from certain investors who subscribed for common stock in the Private Placement that closed on October 18, 2022. These shares were issued on October 18, 2022, February 2023.

## ***Critical Accounting Policies, Judgments and Estimates***

The Company's discussion and analysis of its financial condition and results of operations are based upon the We prepare our unaudited condensed consolidated financial statements included in this report, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements U.S. GAAP, which requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities and liabilities, revenues and expenses, and the related disclosure disclosures of contingent assets and liabilities at the date balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis. Our expectations regarding the future are based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial statements or during the applicable reporting period. In the event that process, our actual results could differ from these estimates or the Company adjusts these estimates in future periods, the Company's operating results and financial position could be materially affected. For a further discussion of Critical Accounting Policies, Judgments and Estimates, refer to Note 2 to the Company's those estimates. When reading our unaudited condensed consolidated financial statements, you should consider our selection of critical accounting policies, the judgment and other uncertainties affecting the application of such policies and the sensitivity of reported results to changes in Item 1 conditions and assumptions. Out of our significant accounting policies, which are described in Note 2—Summary of Significant Accounting Policies of our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, 10-Q, certain accounting policies are deemed "critical", as they require management's highest degree of judgment, estimates and assumptions, including (i) digital assets, (ii) revenue recognition, and (iii) income tax.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

## ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

## ITEM 4 - CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, as of the end of the period covered by this report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Act of 1934. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be included in our SEC reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, relating to the Company, including our consolidated subsidiaries, and was made known to them by others within those entities, particularly during the period when this report was being prepared. Based upon that evaluation, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has concluded that, due to the material weakness described below, as of **September 30, 2023** **March 31, 2024**, our disclosure controls and procedures were not effective.

We previously identified a material weakness in our internal control over financial reporting relating to:

- ineffective oversight of the Company's internal control over financial reporting relating to our tax review control for complex transactions; and
- **the lack of segregation of duties as the Company only has six (6) employees, three of whom are executive officers. proficient personnel trained in US GAAP.**

We are implementing measures designed to improve our internal control over financial reporting to remediate material weaknesses, including the following:

- We are in the process of enhancing our tax review control related to unusual transactions that we may encounter; and
- The Company plans to enhance the staffing and competency level within the accounting and finance department.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Additionally, 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.

### Changes in Internal Control Over Financial Reporting

Other than as described above, there have been no changes in the internal controls over financial reporting during the most recently completed quarter ended **September 30, 2023** **March 31, 2024**, that materially affected, or are reasonably likely to materially affect,

our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1 - LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. To the best knowledge of management, there are no material legal proceedings pending against the Company.

### ITEM 1A - RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks set forth below in this report and in the section captioned “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended **December 31, 2022** **December 31, 2023**, filed with the SEC on **March 31, 2023** **March 18, 2024**, before making an investment decision. If any of the risks actually occur, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should read the section captioned “Special Note Regarding Forward Looking Statements” above for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this report.

**In addition, you may be***User metrics and other estimates are subject to the following additional risk factor. We may be classified as an inadvertent investment company, inherent challenges in measurement, and real or perceived inaccuracies in those metrics could harm our business, revenue and financial results.*

*We intend to regularly review our metrics, including the number of our active users, paying users, and other measures to evaluate growth trends, measure our performance and make strategic decisions. These metrics are calculated using internal company data and have not engaged been validated by an independent third party. While these numbers are based on what we currently believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring how our FlexTV platform is used across large populations globally. Our metrics calculations may be inaccurate, and we may not be able to identify those inaccuracies. In addition, from time to time, we may implement new methodologies for calculating these metrics, which may result in the metrics changing or decreasing from prior periods or not being comparable to prior periods. If our metrics provide us with incorrect or incomplete information about our users and their behavior, we may make inaccurate conclusions about our business which could harm our business, revenue and financial results.*

*All of investing, reinvesting, or trading our cryptocurrency are stored in securities, hot wallets maintained Matrix Trust Company Limited (“Matrixport”), a third party, and we do not hold ourselves out as being engaged in those activities. Under the Investment Company Act, however, a company may be deemed an investment company under Section 3(a)(1)(C) of the Investment Company Act if the value of its investment securities is more than 40% of its total assets (exclusive of government securities and cash items) subject to loss, theft or restriction on an unconsolidated basis. Further, per the Investment Company Act of 1940 companies who are not making, and do not propose to make, a public offering of its securities and whose outstanding securities (other than short-term paper) are beneficially owned by fewer than 100 persons are excluded from the definition of an investment company, access.*

*We hold digital assets Cryptocurrency such as stable coins USDC and ETH, USDT are stored in and have commenced solo staking of ETH accessed by cryptocurrency sites commonly referred to as “wallets.” 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 which we earn ETH-denominated awards from 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 Ethereum protocol. In the event that securities we hold, including any digital assets that may deemed securities, exceed 40% Internet. Cold storage is generally more secure than hot storage, but is not ideal for quick or regular transactions. We currently keep all of our total assets, exclusive of cash, we would inadvertently become an investment company. An inadvertent investment company can avoid being classified as an investment company if it can rely on one of the exclusions under the Investment Company Act. One such exclusion, Rule 3a-2*

under the Investment Company Act, allows an inadvertent investment company cryptocurrency in a grace period of one year from the earlier of (a) the date on hot wallet maintained by Matrixport which an issuer owns securities and/or cash having a value exceeding 50% of the issuer's total assets on either a consolidated or unconsolidated basis and (b) the date on which an issuer owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of government securities and cash items) on an unconsolidated basis. We may be required subject to put loss, theft or restriction on access. Hackers or malicious actors may launch attacks to steal, compromise or secure cryptocurrencies, such as by attacking Matrixport. As such, cryptocurrencies stored in place policies "hot wallets" may be more susceptible to theft or compromise than cryptocurrencies stored in cold storage. There can be no assurance that we expect our hot wallet will work to keep the investment securities held by us at less than 40% of our total assets, which may include acquiring assets with our cash, liquidating our investment securities or seeking a no-action letter from the SEC if we are unable to acquire sufficient assets or liquidate sufficient investment securities in a timely manner, not be compromised.

As Rule 3a-2 Potential that, in the event of a bankruptcy filing by a custodian, cryptocurrency held in custody could be determined to be property of a bankruptcy estate and we could be considered a general unsecured creditor thereof.

All of the cryptocurrencies custodied with Matrixport are held in segregated accounts such that they are segregated from the property of Matrixport and the assets of other Matrixport customers. The treatment of cryptocurrencies held by custodians that file for bankruptcy protection is available uncharted territory in U.S. Bankruptcy law. We cannot say with certainty whether our cryptocurrencies held in custody by Matrixport, should it declare bankruptcy, would be treated as property of the bankruptcy estate and, accordingly, whether we would be treated as a general unsecured creditor with respect of our cryptocurrencies held in custody by Matrixport. If we are treated as a general unsecured creditor, we may not be able to recover our cryptocurrencies in the event of a Matrixport bankruptcy or a bankruptcy of any other custodian we may use in the future.

## ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

On January 7, 2024, we entered into and closed a definitive Share Exchange Agreement ("Exchange Agreement") with FunVerse Holding Limited ("FunVerse"), a company no more than once every three years, incorporated under the laws of the British Virgin Islands and assuming no other exclusion were available to us, we would have to keep within the 40% limit sole parent company of Yuder, and the shareholders of FunVerse. Under the Exchange Agreement, Sellers will exchange 51,375,000 of their FunVerse's shares for at least three years after we cease being an inadvertent investment company. This may limit our ability to make certain investments or enter into joint ventures that could otherwise have a positive impact on our earnings. In any event, we do not intend to become an investment company engaged 1,500,000 shares of common stock of the Company, par value \$0.001 ("Common Stock"), as per terms and conditions set forth in the business Exchange Agreement (the "Share Exchange"), free and clear of investing all liens (other than potential restrictions on resale under applicable securities laws), which the parties agreed is valued at \$2,263,000, or \$1.51 per share of Common Stock. The Company issued the shares of Common Stock in reliance upon an exemption from the registration provisions of the Securities Act, pursuant to Section 4(a)(2) and trading securities, Regulation S thereunder.



## ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

*None. On January 12, 2024, we entered into a Unit Subscription Agreement (the “Agreement”) with certain investors (collectively the “Subscribers”), pursuant to which the Subscribers agreed, subject to certain terms and conditions of the Agreement, to purchase an aggregate of 2,490,000 units (the “Units”) for an aggregate purchase price of \$3,735,000, or \$1.50 per unit (the “Offering Purchase Price”). Each Unit consists of one (1) share of common stock of the Company, \$0.001 par value, and one (1) warrant (the “Warrant”), with each Warrant entitling the holder to purchase one share of common stock at an exercise price of \$1.50 per share at any time for a period of up to five (5) years starting six (6) months from the issuance date at which time the Warrant will expire (“Offering”). The Agreement contains customary representations, warranties and covenants of the parties, and the closing is subject to customary closing conditions. The closing of the Offering occurred on January 17, 2024. This transaction was made in reliance on the exemption from registration afforded by Section 4(a)(2) of the Securities Act, Rule 506(b) of Regulation D as promulgated by the SEC under the Securities Act, and/or Regulation S as promulgated by the SEC under the Securities Act.*

## ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

*None.*

## ITEM 4 - MINE SAFETY DISCLOSURES

*Not applicable.*

## ITEM 5 - OTHER INFORMATION

*None.*

## ITEM 6 - EXHIBITS

*The following exhibits are filed as part of this Report.*

Exhibit No.	Description
10.14.1	<a href="#">Termination Agreement Among Bit Digital Singapore PTE Ltd. and Saving Digital Pte Ltd. and Marsprotocol Technologies Pte Ltd. Form of Warrant Certificate (Incorporated herein by reference from to Exhibit 4.1 to the registrant’s Report on Form 8-K filed with the SEC on August 9, 2023) January 18, 2024).</a>
31.1* 10.1	<a href="#">Share Exchange Agreement dated January 7, 2024 (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on January 8, 2024).</a>
10.2	<a href="#">Shareholders Agreement dated January 7, 2024 (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on January 8, 2024).</a>
10.3	<a href="#">Form of Unit Subscription Agreement (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on January 18, 2024).</a>
10.4+	<a href="#">Termination Agreement between the Company and Yunheng (Brad) Zhang, dated as of January 15, 2024 (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on January 19, 2024).</a>
10.5+	<a href="#">Form of Restricted Stock Unit Award Agreement under the 2021 Amended and Restated Equity Incentive Plan (Incorporated by reference to Exhibit 10.3 to Form 8-K filed on January 19, 2024).</a>
31.1	<a href="#">Certifications of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act</a>
31.2* 31.2	<a href="#">Certifications of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act</a>
32.1*	<a href="#">Certifications of the Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act</a>
32.2*	<a href="#">Certifications of the Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act</a>
101.INS* 101.INS	Inline XBRL Instance Document.

101.SCH*	101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* **Filed herewith** These certifications are not deemed filed by the SEC and are not to be incorporated by reference in any filing we make under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.

+ *Management contract or compensatory plan or arrangement.*

## SIGNATURES

*Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.*

Date: November 13, 2023 May 8, 2024

**Mega Matrix Corp.**

By: /s/ Yucheng Hu

Yucheng Hu  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Qin (Carol) Wang

Qin (Carol) Wang  
Chief Financial Officer  
(Principal Financial Officer)

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**EXHIBIT Exhibit 31.1**

### **CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**I, Yucheng Hu, certify that:**

1. I have reviewed this Quarterly Report on Form 10-Q of Mega Matrix Corp. (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. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of 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: **November 13, 2023** **May 8, 2024**

By: /s/ Yucheng Hu

Name: Yucheng Hu

Title: Chief Executive Officer

(Principal Executive Officer)

## **EXHIBIT**

**Exhibit 31.2**

### **CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**I, Qin (Carol) Wang, certify that:**

1. I have reviewed this Quarterly Report on Form 10-Q of Mega Matrix Corp. (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. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: **November 13, 2023** **May 8, 2024**

By: /s/ Qin (Carol) Wang  
Name: Qin (Carol) Wang  
Title: Chief Financial Officer

(Principal Financial Officer)

## **EXHIBIT**

**Exhibit 32.1**

### **CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

*In connection with the Quarterly Report of Mega Matrix Corp. (the "Company") on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yucheng Hu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:*

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

Date: ~~November 13, 2023~~ May 8, 2024

By: /s/ Yucheng Hu

Name: Yucheng Hu

Title: Chief Executive Officer

(Principal Executive Officer)

**EXHIBIT** Exhibit 32.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

*In connection with the Quarterly Report of Mega Matrix Corp. (the "Company") on Form 10-Q for the quarter ended ~~September 30, 2023~~ March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Qin (Carol) Wang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:*

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

Date: ~~November 13, 2023~~ May 8, 2024

By: /s/ Qin (Carol) Wang

Name: Qin (Carol) Wang

Title: Chief Financial Officer

(Principal Financial Officer)

## **DISCLAIMER**

*THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.*

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