

REFINITIV

## DELTA REPORT

10-Q

FTFT - FUTURE FINTECH GROUP INC.

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS 570**

█ CHANGES 233

█ DELETIONS 158

█ ADDITIONS 179

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

UNITED STATES FORM 10-Q  
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 June 30, 2023September 30, 2023

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from    to     
Commission file number: 001-34502

**Future FinTech Group Inc.**  
(Exact name of registrant as specified in its charter)

**Florida**

**98-0222013**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification Number)

**Americas Tower, 1177 Avenue of The Americas**

**Suite 5100, New York, NY 10036**

(Address of principal executive offices including zip code)

**888-622-1218**

(Registrant's telephone number, including area code)

**N/A**

(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

FTFT

Nasdaq Stock Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted 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, 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

**Class**

**Outstanding at August 18, 2023 November 17, 2023**

Common Stock, \$0.001 par value per share

14,645,653 14,944,874

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FUTURE FINTECH GROUP INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 33,327,145	\$ 26,145,588	\$ 32,707,734	\$ 26,145,588
Restricted cash	3,459,825	3,589,582	696,398	3,589,582
Short - term investment	1,061,956	988,073	954,675	988,073
Accounts receivable, net	2,708,493	7,796,672	3,225,653	7,796,672
Advances to suppliers and other current assets	19,935,923	4,670,264	2,212,105	4,670,264
Loan receivables	4,911,526	19,157,538	4,924,826	19,157,538
Other receivables, net	5,740,199	2,649,536	5,887,992	2,649,536
Amount due from related party	55,533	53,126	50,981	53,126
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 71,200,600</b>	<b>\$ 65,050,379</b>	<b>\$ 50,660,364</b>	<b>\$ 65,050,379</b>
Property, plant and equipment, net	\$ 4,379,329	\$ 4,417,281	\$ 4,627,438	\$ 4,417,281
Right of use assets - operation lease	884,253	1,055,906	802,980	1,055,906
Intangible assets	489,551	518,069	475,293	518,069
Goodwill	13,976,084	13,976,084	13,976,084	13,976,084
<b>TOTAL NON-CURRENT ASSETS</b>	<b>\$ 19,729,217</b>	<b>\$ 19,967,340</b>	<b>\$ 19,881,795</b>	<b>\$ 19,967,340</b>
<b>TOTAL ASSETS</b>	<b>\$ 90,929,817</b>	<b>\$ 85,017,719</b>	<b>\$ 70,542,159</b>	<b>\$ 85,017,719</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 396,591	\$ 3,603,577	\$ 352,251	\$ 3,603,577
Notes payable	3,459,825	3,589,582	696,398	3,589,582
Accrued expenses and other payables	2,930,193	2,214,256	2,491,208	2,214,256
Advances from customers	14,714,796	1,236,241	65,667	1,236,241
Lease liability - operation lease	297,571	294,944	289,781	294,944
Amounts due to related parties	226,371	244,819	235,350	244,819
Deferred liabilities	7,387,697	7,387,697	7,387,697	7,387,697
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 29,413,044</b>	<b>\$ 18,571,116</b>	<b>\$ 11,518,352</b>	<b>\$ 18,571,116</b>
<b>NON-CURRENT LIABILITIES</b>				
Lease liability - operation lease	586,682	760,962	513,199	760,962
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>\$ 586,682</b>	<b>\$ 760,962</b>	<b>\$ 513,199</b>	<b>\$ 760,962</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 29,999,726</b>	<b>\$ 19,332,078</b>	<b>\$ 12,031,551</b>	<b>\$ 19,332,078</b>
Commitments and contingencies (Note 24)				
<b>STOCKHOLDER'S EQUITY</b>				
Future FinTech Group, Inc, Stockholders' equity				
Common stock, \$0.001 par value; 60,000,000 shares authorized; 14,645,653 shares and 14,645,653 shares issued and outstanding as of June 30, 2023 and December 31, 2022 respectively	\$ 14,646	\$ 14,646		
Common stock, \$0.001 par value; 60,000,000 shares authorized, 14,645,653 shares and 14,645,653 shares issued and outstanding as of September 30, 2023 and December 31, 2022 respectively			\$ 14,646	\$ 14,646
Additional paid-in capital	222,751,657	222,751,657	222,751,657	222,751,657
Statutory reserve	98,357	98,357	98,357	98,357

Accumulated deficits	(155,924,902)	(152,276,434)	(158,333,202)	(152,276,434)
Accumulated other comprehensive loss	(4,593,257)	(3,623,005)	(4,563,047)	(3,623,005)
Total Future FinTech Group, Inc. stockholders' equity	<b>62,346,501</b>	<b>66,965,221</b>	<b>59,968,411</b>	<b>66,965,221</b>
Non-controlling interests	(1,416,410)	(1,279,580)	(1,457,803)	(1,279,580)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>60,930,091</b>	<b>65,685,641</b>	<b>58,510,608</b>	<b>65,685,641</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>90,929,817</b>	<b>85,017,719</b>	<b>70,542,159</b>	<b>85,017,719</b>

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

FUTURE FINTECH GROUP INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$ 3,808,991	\$ 7,418,277	\$ 7,202,956	\$ 10,884,642	\$ 23,753,725	\$ 11,959,019	\$ 30,956,681	\$ 22,843,661
<b>Revenue</b>								
Cost of revenues-third party	2,201,188	6,042,857	4,025,558	7,721,245	22,113,149	10,465,893	26,138,707	18,187,138
Cost of revenues-related party	348,636	-	710,594	-	249,718	-	960,312	-
Gross profit	1,259,167	1,375,420	2,466,804	3,163,397	1,390,858	1,493,126	3,857,662	4,656,523
<b>Operating Expenses</b>								
General and administrative expenses	2,545,955	2,649,979	6,024,355	6,060,389	3,829,628	3,558,700	9,853,983	9,619,115
Research and development expenses	116,366	770,105	325,089	1,203,160	16,799	790,922	341,888	1,994,082
<b>Stock compensation expense</b>								
Selling expenses	123,812	349,209	256,251	719,678	108,861	274,109	365,112	993,787
Impairment Loss	-	448,611	-	697,123	3,872	228,963	3,872	926,086
(Recovery) Provision of doubtful debts	(1,187,403)	(29)	(1,170,577)	1,973				
Provision (Recovery) of doubtful debts					17,779	-	(1,152,798)	1,947
Total operating expenses	1,598,730	4,217,875	5,435,118	8,682,323	3,976,939	6,132,434	9,412,057	14,814,757
Loss from operations	(339,563)	(2,842,455)	(2,968,314)	(5,518,926)	(2,586,081)	(4,639,308)	(5,554,395)	(10,158,234)
<b>Other (expenses) income</b>								
Interest income	245,580	242,713	701,037	415,943	202,529	429,971	903,566	845,914
Interest expenses	-	(2,942)	-	(6,018)	-	(3,352)	-	(9,370)
Other (expense) income, net	(1,513,440)	389,938	(1,561,949)	385,837	(55,406)	780,229	(1,617,355)	1,166,066
Total other income, net	(1,267,860)	629,709	(860,912)	795,762				
Total other income (expense), net					147,123	1,206,848	(713,789)	2,002,610
<b>Loss from Continuing Operations before Income Tax</b>								
Income tax provision	(1,607,423)	(2,212,746)	(3,829,226)	(4,723,164)	(2,438,958)	(3,432,460)	(6,268,184)	(8,155,624)
<b>Loss from Continuing Operations</b>								
	(35,878)	(123,788)	(61,552)	(311,741)	(10,735)	(201,437)	(72,287)	(513,178)
	(1,643,301)	(2,336,534)	(3,890,778)	(5,034,905)	(2,449,693)	(3,633,897)	(6,340,471)	(8,668,802)
<b>Discontinued Operations</b>								
Gain/(Loss) on disposal of discontinued operations	105,480	(154)	105,480	(154)	-	-	105,480	(154)
<b>NET LOSS</b>								
<b>Less: Net Loss attributable to non-controlling interests</b>	(1,537,821)	(2,336,688)	(3,785,298)	(5,035,059)	(2,449,693)	(3,633,897)	(6,234,991)	(8,668,956)
	(65,817)	(226,296)	(136,830)	(401,505)	(41,393)	(102,398)	(178,223)	(503,903)
<b>Net income/(loss) from continued operations attributable to Future Fintech Group, Inc.</b>	\$ (1,472,004)	\$ (2,110,392)	\$ (3,648,468)	\$ (4,633,554)	\$ (2,408,300)	\$ (3,531,499)	\$ (6,056,768)	\$ (8,165,053)
<b>Other comprehensive income (loss)</b>								
Loss from continued operations	(1,643,301)	(2,336,534)	(3,890,778)	(5,034,905)	(2,449,693)	(3,633,897)	(6,340,471)	(8,668,802)
Foreign currency translation – continued operations	(1,488,634)	(1,505,190)	(1,084,545)	(1,687,807)	144,503	(1,834,957)	(940,042)	(3,522,764)
Unrealized holding (losses)/gains on available-for- sale securities	(66,558)	-	114,293	-	(114,293)	-	-	-
<b>Comprehensive loss - continued operation</b>								
Net income (loss) from discontinued operations	(3,198,493)	(3,841,724)	(4,861,030)	(6,722,712)	(2,419,483)	(5,468,854)	(7,280,513)	(12,191,566)
Foreign currency translation – discontinued operations	105,480	(154)	105,480	(154)	-	-	105,480	(154)
<b>Comprehensive income (loss) - discontinued operation</b>								
	105,480	(154)	105,480	(154)	-	-	105,480	(154)
<b>Comprehensive Loss</b>								
Less: Net loss attributable to non-controlling interests	(3,093,013)	(3,841,878)	(4,755,550)	(6,722,866)	(2,419,483)	(5,468,854)	(7,175,033)	(12,191,720)
	(65,817)	(226,296)	(136,830)	(401,505)	(41,393)	(102,398)	(178,223)	(503,903)

<b>COMPREHENSIVE LOSS ATTRIBUTABLE TO FUTURE FINTECH GROUP INC. STOCKHOLDERS</b>	<b>(3,027,196)</b>	<b>(3,615,582)</b>	<b>(4,618,720)</b>	<b>(6,321,361)</b>	<b>(2,378,090)</b>	<b>(5,366,456)</b>	<b>(6,996,810)</b>	<b>(11,687,817)</b>
Earnings (Loss) per share:								
Basic loss per share from continued operation	\$ (0.11)	\$ (0.16)	\$ (0.26)	\$ (0.35)	\$ (0.16)	\$ (0.25)	\$ (0.42)	\$ (0.57)
Basic earnings per share from discontinued operation	0.01	-	0.01	-	-	-	0.01	-
	<b>\$ (0.10)</b>	<b>(0.16)</b>	<b>\$ (0.25)</b>	<b>\$ (0.35)</b>	<b>\$ (0.16)</b>	<b>(0.25)</b>	<b>\$ (0.41)</b>	<b>\$ (0.57)</b>
Diluted Earnings (Loss) per share:								
Diluted loss per share from continued operation	\$ (0.11)	\$ (0.16)	\$ (0.26)	\$ (0.34)	\$ (0.16)	\$ (0.24)	\$ (0.42)	\$ (0.55)
Diluted earnings per share from discontinued operation	0.01	-	0.01	-	-	-	0.01	-
	<b>\$ (0.10)</b>	<b>(0.16)</b>	<b>\$ (0.25)</b>	<b>\$ (0.34)</b>	<b>\$ (0.16)</b>	<b>(0.24)</b>	<b>\$ (0.41)</b>	<b>\$ (0.55)</b>
<b>Weighted average number of shares outstanding</b>								
Basic	14,645,653	13,088,090	14,645,653	13,088,090	14,645,653	14,214,832	14,645,653	14,214,832
Diluted	14,687,761	13,645,881	14,687,761	13,645,881	14,687,761	14,772,623	14,687,761	14,772,623

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

FUTURE FINTECH GROUP, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Unaudited)

Three Months ended **June 30, 2022** September 30, 2022

	Accumulative							Additional		
	Common Stock	Additional paid-in capital	Statutory reserve	Accumulated deficits	other	comprehensive loss	Non-controlling interests	Common Stock	Additional paid-in capital	Statutory reserve
Shares	Amount						Total	Shares	Amount	
Balance at March 31, 2022	14,036,253	\$ 14,036	\$ 221,472,527	61,382	\$ (141,135,076)	\$ (780,479)	\$ (765,970)	\$ 78,866,420		
Balance at June 30, 2022								14,036,253	\$ 14,036	\$ 221,472,527
Net loss from continued operation					(2,110,238)		(226,296)	(2,336,534)		
Share-based payments-omnibus equity plan								609,400	610	1,279,130
Foreign currency translation adjustment						(1,505,190)		(1,505,190)		
Disposition of discontinued operation					(154)			(154)		
Balance at June 30, 2022	14,036,253	\$ 14,036	\$ 221,472,527	61,382	\$ (143,245,468)	\$ (2,285,669)	\$ (992,266)	\$ 75,024,542		
Balance at September 30, 2022								14,645,653	\$ 14,646	\$ 222,751,657

Three Months ended **June 30, 2023** September 30, 2023

	Accumulative							Additional		
	Common Stock	Additional paid-in capital	Statutory reserve	Accumulated Deficits	Other income	comprehensive income	Non-controlling interests	Common Stock	Additional paid-in capital	Statutory reserve
Shares	Amount						Total	Shares	Amount	
Balance at March 31, 2023	14,645,653	\$ 14,646	\$ 222,751,657	98,357	\$ (154,452,898)	\$ (3,038,065)	\$ (1,350,593)	\$ 64,023,104		
Balance at June 30, 2023								14,645,653	\$ 14,646	\$ 222,751,657
Net loss from continued operation					(1,577,484)		(65,817)	(1,643,301)		
Unrealized loss on available-for-sale securities						(66,558)		(66,558)		
Foreign currency translation adjustment						(1,488,634)		(1,488,634)		
Disposition of discontinued operation				105,480				105,480		

<b>Balance at June 30, 2023</b>	14,645,653	\$ 14,646	\$ 222,751,657	98,357	\$ (155,924,902)	\$ (4,593,257)	\$ (1,416,410)	\$ 60,930,091
<b>Balance at September 30, 2023</b>								

**Six Nine Months ended June 30, 2022 September 30, 2022**

	Accumulative								Additional			
	Common Stock		Additional paid-in capital		Statutory reserve	Accumulated deficits	other	comprehensive loss	Non-controlling interests	Total	Common Stock	Additional paid-in capital
	Shares	Amount								Shares	Amount	Statutory Reserves
Balance at December 31, 2021	14,036,253	\$ 14,036	\$ 220,579,277		61,382	\$ (138,611,914)	\$ (597,862)	\$ (590,761)	\$ 80,854,158	14,036,253	\$ 14,036	\$ 220,579,277
Net loss from continued operation	-	-	-	-	-	(4,633,400)	-	(401,505)	(5,034,905)	-	-	-
Share-based payments-service	-	-	893,250	-	-	-	-	-	893,250	-	-	893,250
Share-based payments-omnibus equity plan										609,400	610	1,279,130
Foreign currency translation adjustment	-	-	-	-	-	(1,687,807)	-	(1,687,807)	-	-	-	-
Disposition of discontinued operation	-	-	-	-	(154)	-	-	-	(154)	-	-	-
Balance at June 30, 2022	14,036,253	\$ 14,036	\$ 221,472,527		61,382	\$ (143,245,468)	\$ (2,285,669)	\$ (992,266)	\$ 75,024,542			
Balance at September 30, 2022										14,645,653	\$ 14,646	\$ 222,751,657
												61,382

**Six Nine Months ended June 30, 2023 September 30, 2023**

	Accumulative								Additional			
	Common Stock		Additional paid-in capital		Statutory reserve	Accumulated Deficits	Other income	comprehensive income	Non-controlling interests	Total	Common Stock	Additional paid-in capital
	Shares	Amount								Shares	Amount	Statutory reserves
Balance at December 31, 2022	14,645,653	\$ 14,646	\$ 222,751,657		98,357	\$ (152,276,434)	\$ (3,623,005)	\$ (1,279,580)	\$ 65,685,641	14,645,653	\$ 14,646	\$ 222,751,657
Net loss from continued operation	-	-	-	-	-	(3,753,948)	-	(136,830)	(3,890,778)	-	-	-
Unrealized gains on available-for-sale securities	-	-	-	-	-	-	114,293	-	114,293			
Foreign currency translation adjustment	-	-	-	-	-	(1,084,545)	-	(1,084,545)	-	-	-	-
Disposition of discontinued operation	-	-	-	-	-	105,480	-	-	105,480	-	-	-

<b>Balance at</b>								
<b>June 30,</b>	14,645,653	\$ 14,646	\$ 222,751,657	98,357	\$ (155,924,902)	\$ (4,593,257)	\$ (1,416,410)	\$ 60,930,091
<b>2023</b>	_____	_____	_____	_____	_____	_____	_____	_____

  

<b>Balance at</b>								
<b>September</b>								
<b>30, 2023</b>	14,645,653	\$ 14,646	\$ 222,751,657	98,357	\$ (155,924,902)	\$ (4,593,257)	\$ (1,416,410)	\$ 60,930,091
	_____	_____	_____	_____	_____	_____	_____	_____

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

FUTURE FINTECH GROUP INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	For the Six Months Ended June 30,		For the Nine Months Ended September 30,	
	2023		2022	
	2023	2022	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss	\$ (3,785,298)	\$ (5,035,059)	\$ (6,234,991)	\$ (8,668,956)
Net income/(loss) from discontinued operation	105,480	(154)	105,480	(154)
Net loss from continuing operations	(3,890,778)	(5,034,905)	(6,340,471)	(8,668,802)
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	149,803	90,182	223,687	137,187
Amortization	28,518	28,233	42,776	45,699
Provision of doubtful debts	17,085	1,973	20,353	1,947
Share-based payments	-	893,250	-	2,172,990
Impairment of short term investment	-	697,123	3,872	926,086
Changes in operating assets and liabilities				
Accounts receivable	5,088,179	2,519,226	4,571,019	6,665,006
Notes receivable	-	(1,174,122)	-	-
Other receivable	(3,107,748)	(1,198,592)	(3,258,809)	(1,079,100)
Advances to suppliers and other current assets	(15,265,659)	(2,894,838)	2,458,159	(5,502,062)
Accounts payable	(3,206,986)	28,461	(3,251,326)	34,679
Proceeds from amounts due from related parties, net	97,523	122,329	-	-
Repayment of amounts due to related parties, net	(112,491)	(242,828)	-	-
Accrued expenses	715,937	(569,006)	276,952	288,761
Taxes payable	-	(41,133)	-	(41,093)
Advances from customers	13,478,555	1,645,086	(1,170,574)	3,239,233
Net cash used in operating activities – Continued Operations	(6,008,062)	(5,129,561)	(6,424,362)	(1,779,469)
Net cash provided by operating activities – Discontinued Operations	105,480	3	105,480	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(128,098)	(52,019)	(521,239)	(59,298)
Disposal of property and equipment			32,608	-
Payment of loan receivable	-	(11,363,000)	-	(19,810,956)
Repayment for loan receivable	14,767,621	6,000,000	14,130,632	6,000,000
Purchase of intangible assets	-	(570,351)	-	(570,351)
Net cash provided by (used in) investing activities from Continued Operations	14,639,523	(5,985,370)	13,642,001	(14,440,605)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of dividends to the non-controlling interest	-	(63,477)	-	(63,477)
Proceeds from amounts due from related parties, net			249,068	452,564
Repayment of amounts due to related parties, net			(270,714)	(904,673)
Notes payable			(2,893,184)	2,816,981
Proceeds from loan payable	-	4,199,879	-	(188,215)
Net cash provided by financing activities	-	4,136,402	-	-
Net cash (used in) provided by financing activities			(2,914,830)	2,113,180
Effect of change in exchange rate	(1,685,141)	(1,263,771)	(739,327)	(3,201,964)
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>				
Cash and Restricted Cash at Beginning of Year	7,051,800	(8,242,297)	3,668,962	(17,308,858)
Cash and Restricted Cash at End of Year	29,735,170	50,273,517	29,735,170	50,273,517
	\$ 36,786,970	\$ 42,031,220	\$ 33,404,132	\$ 32,964,659
<b>SUPPLEMENTARY DISCLOSURE OF SIGNIFICANT NON-CASH TRANSACTION</b>				
Deferred liabilities	-	\$ 173,764	-	\$ 263,863

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid  
Cash paid for income taxes

-	\$	6,018	-	\$	56,610
\$	713,501	\$	41,133	\$	67,740

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

FUTURE FINTECH GROUP INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

## 1. CORPORATE INFORMATION

Future FinTech Group Inc. (the "Company") is a holding company incorporated under the laws of the State of Florida. The main business of the Company includes supply chain financing services and trading, asset management and cross-border money transfer services. The Company has also expanded into cryptocurrency mining and cryptocurrency market data and information service business. Prior to 2019, the Company engaged in the production and sales of fruit juice concentrates, fruit juice beverages and other fruit-related products in the People's Republic of China ("PRC", or "China"), and overseas markets. Due to the drastically increased production cost and tightened environmental law in China, the Company has transformed its business from fruit juice manufacturing and distribution to supply chain financing services and trading, asset management and cross-border money transfer services.

In March 2022, FTFT UK Limited received approval to operate as an Electronic Money Directive ("EMD") Agent and has been registered as such with the Financial Conduct Authority (FCA), a UK regulator. This status grants FTFT UK Limited the ability to distribute or redeem e-money and provide certain financial services on behalf of an e-money institution (registration number 903050).

On April 14, 2022, the Company established Future Trading (Chengdu) Co., Ltd. Its business is coal and aluminum ingots bulk commodities supply chain financing services and trading.

On April 18, 2022, the Company and Future Fintech (Hong Kong) Limited, a wholly owned subsidiary of the Company jointly acquired 100% equity interest of KAZAN S.A, a company incorporated in Republic of Paraguay for \$288. The Company owns 90% and FTFT HK owns 10% of Kazan S.A., respectively. Kazan S.A. has no operation before the acquisition. The Company is developing bitcoin and other cryptocurrency mining and related service business in Paraguay. The Company has changed its name from KAZAN S.A to FTFT Paraguay S.A. on July 28, 2022.

On September 29, 2022, FTFT UK Limited completed its acquisition of 100% of the issued and outstanding shares of Khyber Money Exchange Ltd., a company incorporated in England and Wales, from Rahim Shah, a resident of United Kingdom for a total of Euros €685,000 ("Purchase Price"), pursuant to a Share Purchase Agreement (the "Agreement") dated September 1, 2021. Khyber Money Exchange Ltd. is a money transfer company with a platform for transferring money through one of its agent locations or via its online portal, mobile platform or over the phone. Khyber Money Exchange Ltd. is regulated by the UK Financial Conduct Authority (FCA) and the parties received approval by the FCA before the formal closing of the transaction. On October 11, 2022, the Company changed the name of Khyber Money Exchange Ltd. to FTFT Finance UK Limited.

On February 27, 2023, Future FinTech (Hong Kong) Limited ("Buyer"), a company incorporated in Hong Kong and a wholly owned subsidiary of Future FinTech Group Inc. (the "Company") entered into a Share Transfer Agreement (the "Agreement") with Alpha Financial Limited, a company incorporated in Hong Kong ("Seller") and sole owner and shareholder of Alpha International Securities (Hong Kong) Limited, a company incorporated in Hong Kong ("Alpha HK") and Alpha Information Service (Shenzhen) Co., Ltd., a company incorporated in China ("Alpha SZ"). Alpha HK holds Type 1 'Securities Trading', Type 2 'Futures Contract Trading' and Type 4 'Securities Consulting' financial licenses issued by the Hong Kong Securities and Futures Commission. Alpha SZ provides technical support services to Alpha HK. The share transfer transaction is subject to the approval of was approved by the Securities and Futures Commission of Hong Kong ("SFC") in August 2023 and the Company has recently received acquisition was closed on November 7, 2023. The names of the approval from SFC. The acquisition is expected two entities were subsequently changed to close in September 2023. 'FTFT International Securities and Futures Limited' and 'FTFT Information Services (Shenzhen) Co. Ltd.', respectively.

The Company's business and operations are principally conducted by its subsidiaries in the PRC, Hong Kong and Hong Kong, UK.

On January 26, 2023, the Company filed with the Florida Secretary of State's office Articles of Amendment (the "Amendment") to amend its Second Amended and Restated Articles of Incorporation, as amended ("Articles of Incorporation"). As a result of the Amendment, the Company has authorized and approved a 1-for-5 reverse stock split of the Company's authorized shares of common stock from 300,000,000 shares to 60,000,000 shares, accompanied by a corresponding decrease in the Company's issued and outstanding shares of common stock (the "Reverse Stock Split"). The common stock will continue to be \$0.001 par value. The Company rounds up to the next full share of the Company's shares of common stock any fractional shares that result from the Reverse Stock Split and no fractional shares is issued in connection with the Reverse Stock Split and no cash or other consideration is paid in connection with any fractional shares that would otherwise have resulted from the Reverse Stock Split. No changes are being made to the number of preferred shares of the Company which remain as 10,000,000 preferred shares as authorized but not issued. The amendment to the Articles of Incorporation of the Company took effect at 1:00am Eastern Time on February 1, 2023. The Reverse Stock Split and Amendment were authorized and approved by the Board of Directors of the Company without shareholders' approval, pursuant to 607.10025 of the Florida Business Corporation Act of the State of Florida.

The reverse stock split would be reflected in our June 30, 2023 September 30, 2023 and December 31, 2022 statements of changes in stockholders' equity, and in per share data for all periods presented.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of **June 30, 2023** **September 30, 2023** and the results of operations and cash flows for the periods ended **June 30, 2023** **September 30, 2023** and 2022. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** are not necessarily indicative of the results to be expected for any subsequent periods or for the entire year ending December 31, 2023. The balance sheet at December 31, 2022 has been derived from the audited financial statements at that date.

Our contractual arrangements with the VIE and their respective shareholders allow us to (i) exercise effective control over the VIE, (ii) receive substantially all of the economic benefits of the VIE, and (iii) have an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by PRC law.

As a result of our direct ownership in our wholly owned subsidiary and the contractual arrangements with the VIE, we are regarded as the primary beneficiary of the VIE, and we treat it and its subsidiaries as our consolidated affiliated entities under U.S. GAAP. We have consolidated the financial results of the VIE in our condensed consolidated financial statements in accordance with U.S. GAAP.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations. These unaudited financial statements should be read in conjunction with our audited financial statements and notes thereto for the year ended December 31, 2022 as included in our Annual Report on Form 10-K.

### Discontinued Operations

On June 27, 2022, Chain Cloud Mall Logistics Center (Shanxi) Co., Ltd. was dissolved and deregistered.

On June 16, 2023, QR (HK) Limited was dissolved and deregistered.

Based on the disposal plan and in accordance with ASC 205-20, the Company presented the operating results from these operations as a discontinued operation.

### Segment Information Reclassification

The Company classified business segment into asset management service, **and**, supply chain financing and trading, and others.

### Uses of Estimates in the Preparation of Financial Statements

The Company's condensed consolidated financial statements have been prepared in accordance with US GAAP and this requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenue and expenses during the reporting period. The significant areas requiring the use of management estimates include, but not limited to, the allowance for doubtful receivable, estimated useful life and residual value of property, plant and equipment, impairment of long-lived assets provision for staff benefit, recognition and measurement of deferred income taxes and valuation allowance for deferred tax assets. Although these estimates are based on management's knowledge of current events and actions management may undertake in the future, actual results may ultimately differ from those estimates and such differences may be material to our condensed consolidated financial statements.

## Going Concern

The Company's financial statements are prepared assuming that the Company will continue as a going concern.

The Company incurred operating losses and had negative operating cash flows and may continue to incur operating losses and generate negative cash flows as the Company implements its future business plan. The Company's operating losses amounted **\$3.89 million** **\$6.34 million**, and it had negative operating cash flows amounted **\$6.01 million** **\$6.42 million** as of **June 30, 2023** **September 30, 2023**. These factors raise substantial doubts about the Company's ability to continue as a going concern. The Company has raised funds through issuance of convertible notes and common stock.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully execute its new business strategy and eventually attain profitable operations. The accompanying financial statements do not include any adjustments that may be necessary if the Company is unable to continue as a going concern.

## Research and development

Research and development expenses include salaries, contracted services, as well as the related expenses for our research and product development team, and expenditures relating to our efforts to develop, design, and enhance our service to our clients. The Company expenses research and development costs as they are incurred.

## Impairment of Long-Lived Assets

In accordance with the *ASC 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets, such as property, plant and equipment and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, or it is reasonably possible that these assets could become impaired as a result of technological or other industrial changes. The determination of recoverability of assets to be held and used is made by comparing the carrying amount of an asset to future undiscounted cash flows to be generated by the assets.

If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

## Fair Value of Financial Instruments

The Company has adopted FASB ASC Topic on Fair Value Measurements and Disclosures ("ASC 820"), which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. ASC 820 establishes a three-level valuation hierarchy of valuation techniques based on observable and unobservable input, which may be used to measure fair value and include the following:

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

Our cash and cash equivalents and restricted cash and short-term investments are classified within level 1 of the fair value hierarchy because they are value using quoted market price.

## Earnings Per Share

Under ASC 260-10, *Earnings Per Share*, basic EPS excludes dilution for Common Stock equivalents and is calculated by dividing net income (loss) available to common stockholders by the weighted-average number of Common Stock outstanding for the period.

Diluted EPS is calculated by using the treasury stock method, assuming conversion of all potentially dilutive securities, such as stock options and warrants. Under this method, (i) exercise of options and warrants is assumed at the beginning of the period and shares of Common Stock are assumed to be issued, (ii) the proceeds from exercise are assumed to be used to purchase Common Stock at the average market price during the period, and (iii) the incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted EPS computation. The numerators and denominators used in the computations of basic and diluted EPS are presented in the following table.

For the six months ended June 30, 2023 September 30, 2023:

	Income	Share	Pre-share amount	Income	Share	Pre-share amount
<b>Net loss from continuing operations attributable to Future Fintech Group, Inc.</b>	\$ (3,753,948)	14,645,653	\$ (0.26)	\$ (6,162,248)	14,645,653	\$ (0.42)
<b>Net income from discontinuing operations attributable to Future Fintech Group, Inc.</b>	\$ 105,480	14,645,653	0.01	\$ 105,480	14,645,653	0.01
<b>Basic EPS:</b>						
Loss available to common stockholders from continuing operations	\$ (3,753,948)	14,645,653	\$ (0.26)	\$ (6,162,248)	14,645,653	\$ (0.42)
Income available to common stockholders from discontinuing operations	\$ 105,480	14,645,653	0.01	\$ 105,480	14,645,653	0.01
<b>Dilutive EPS:</b>						
Warrants	-	42,108	-	-	42,108	-
Diluted loss per share is calculated by taking net loss, divided by the diluted weighted average common shares outstanding. Diluted net loss per share equals basic net loss per share because the effect of securities convertible into common shares is anti-dilutive	\$ (3,753,948)	14,687,761	\$ (0.26)	\$ (6,162,248)	14,687,761	\$ (0.42)
Diluted income per share is calculated by taking net loss, divided by the diluted weighted average common shares outstanding.	\$ 105,480	14,687,761	0.01	\$ 105,480	14,687,761	0.01

For the six months ended June 30, 2022 September 30, 2022:

	Income	Share	Pre-share amount	Income	Share	Pre-share amount
<b>Loss from continuing operations</b>	\$ (5,034,905)	13,088,090	\$ (0.35)	\$ (8,164,899)	14,214,832	\$ (0.57)
<b>Loss from discontinuing operations</b>	\$ (154)	13,088,090	\$ -	\$ (154)	14,214,832	\$ -
<b>Basic EPS:</b>						
Loss available to common stockholders from continuing operations	\$ (5,034,905)	13,088,090	\$ (0.35)	\$ (8,164,899)	14,214,832	\$ (0.57)
Loss available to common stockholders from discontinuing operations	\$ (154)	13,088,090	\$ -	\$ (154)	14,214,832	\$ -
<b>Dilutive EPS:</b>						
Warrants	-	557,791	-	-	557,791	-
Diluted loss per share is calculated by taking net loss, divided by the diluted weighted average common shares outstanding. Diluted net loss per share equals basic net loss per share because the effect of securities convertible into common shares is anti-dilutive from continuing operations	\$ (5,034,905)	13,645,881	\$ (0.34)	\$ (8,164,899)	14,772,623	\$ (0.34)
Diluted loss per share is calculated by taking net loss, divided by the diluted weighted average common shares outstanding.	\$ (154)	13,645,881	\$ -	\$ (154)	14,772,623	\$ -

Three Months months ended June 30, 2023 September 30, 2023:

	Income	Share	Pre-share amount	Income	Share	Pre-share amount
<b>Net loss from continuing operations attributable to Future Fintech Group, Inc.</b>	\$ (1,577,484)	14,645,653	\$ (0.11)	\$ (2,408,300)	14,645,653	\$ (0.16)
<b>Net income from discontinuing operations attributable to Future Fintech Group, Inc.</b>	\$ 105,480	14,645,653	0.01	\$ -	14,645,653	-
<b>Basic EPS:</b>						
Loss available to common stockholders from continuing operations	\$ (1,577,484)	14,645,653	\$ (0.11)	\$ (2,408,300)	14,645,653	\$ (0.16)
Income available to common stockholders from discontinuing operations	\$ 105,480	14,645,653	0.01	\$ -	14,645,653	-
<b>Dilutive EPS:</b>						
Warrants	-	42,108	-	-	42,108	-
Diluted loss per share is calculated by taking net loss, divided by the diluted weighted average common shares outstanding. Diluted net loss per share equals basic net loss per share because the effect of securities convertible into common shares is anti-dilutive	\$ (1,577,484)	14,687,761	\$ (0.11)	\$ (2,408,300)	14,687,761	\$ (0.11)
Diluted income per share is calculated by taking net loss, divided by the diluted weighted average common shares outstanding.	\$ 105,480	14,687,761	0.01	\$ -	14,687,761	0.01

Three Months months ended June 30, 2022 September 30, 2022:

	Income	Share	Pre-share amount	Income	Share	Pre-share amount
<b>Loss from continuing operations</b>	\$ (2,110,238)	13,088,090	\$ (0.16)	\$ (3,531,499)	14,214,832	\$ (0.25)
<b>Loss from discontinuing operations</b>	\$ (154)	13,088,090	\$ -	\$ -	14,214,832	\$ -
<b>Basic EPS:</b>						
Loss available to common stockholders from continuing operations	\$ (2,110,238)	13,088,090	\$ (0.16)	\$ (3,531,499)	14,214,832	\$ (0.25)
Loss available to common stockholders from discontinuing operations	\$ (154)	13,088,090	\$ -	\$ -	14,214,832	\$ -
<b>Dilutive EPS:</b>						
Warrants	-	557,791	-	-	557,791	-
Diluted loss per share is calculated by taking net loss, divided by the diluted weighted average common shares outstanding. Diluted net loss per share equals basic net loss per share because the effect of securities convertible into common shares is anti-dilutive from continuing operations	\$ (2,110,238)	13,645,881	\$ (0.16)	\$ (3,531,499)	14,772,623	\$ (0.24)
Diluted loss per share is calculated by taking net loss, divided by the diluted weighted average common shares outstanding.	\$ (154)	13,645,881	\$ -	\$ -	14,772,623	\$ -

Cash and Cash Equivalents

Cash and cash equivalents included cash on hand and demand deposits placed with banks or other financial institutions, which are unrestricted as to withdrawal and use and with an original maturity of three months or less.

Deposits in banks in the PRC are only insured by the government up to RMB500,000, in the HK are only insured by the government up to HKD500,000, in the United Kingdom are only insured by the government up to GBP18,000, in the United States of America are only insured by the Federal Deposit Insurance Corporation up to USD250,000, and are consequently exposed to risk of loss.

The Company believes the probability of a bank failure, causing loss to the Company, is remote.

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.



## Receivable and Allowances

Accounts receivable are recognized and carried at the original invoice amounts less an allowance for any uncollectible amount. We have a policy of reserving for uncollectible accounts based on our best estimate of the amount of probable credit losses in our existing accounts receivable. We perform ongoing credit evaluations of our customers and maintain an allowance for potential bad debts if required.

Other receivables, and loan receivables are recognized and carried at the initial amount when occurred less an allowance for any uncollectible amount. We have a policy of reserving for uncollectible accounts based on our best estimate of the amount of probable impairment losses in our existing receivable.

Allowances for doubtful accounts are maintained for expected credit losses resulting from the Company's customers' inability to make required payments. The allowances are based on the Company's regular assessment of various factors, including the credit-worthiness and financial condition of specific customers, historical experience with bad debts and customer deductions, receivables aging, 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. The Company maintains an allowance for credit losses in accordance with ASC Topic 326, Credit Losses ("ASC 326") and records the allowance for credit losses as an offset to accounts receivable and contract assets, and the estimated credit losses charged to the allowance is classified as "Bad debt expense" in the consolidated statements of comprehensive income. We determine whether an allowance for doubtful accounts is required by evaluating specific accounts where information indicates the customers may have an inability to meet financial obligations. In these cases, we use assumptions and judgment, based on the best available facts and circumstances, to record a specific allowance for those customers against amounts due to reduce the receivable to the amount expected to be collected. These specific allowances are re-evaluated and adjusted as additional information is received. The amounts calculated are analyzed to determine the total amount of the allowance. We may also record a general allowance as necessary.

Direct write-offs are taken in the period when we have exhausted our efforts to collect overdue and unpaid receivable or otherwise evaluate other circumstances that indicate that we should abandon such efforts.

The Company has assessed its accounts receivable including credit term and corresponding all its accounts receivables as of **June 30, 2023** **September 30, 2023**. Bad debt expense was **\$(1,170,577)** **\$(1,152,798)** and **\$1,973** **\$1,947** during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. Accounts receivables of **\$1.42** **million** **\$0.95 million** and nil have been outstanding for over 90 days as of **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively.

## Revenue Recognition

We apply the five steps defined under ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. We assess its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Revenue arrangements with multiple performance obligations are divided into separate distinct goods or services. We allocate the transaction price to each performance obligation based on the relative standalone selling price of the goods or services provided. Revenue is recognized upon the transfer of control of promised goods or services to a customer. Control is generally transferred when the Company has a present right to payment and title and the significant risks and rewards of ownership of products or services are transferred to its customers.

We do not make any significant judgment in evaluating when control is transferred. Revenue is recorded net of value-added tax.

Revenue recognitions are as follows:

Sales of coals, aluminum ingots, sand and steel

The Company recognize revenue when the receipt of merchandise is confirmed by the customers, which is the point that the title of the goods is transferred to the customer. Revenue was **nil** \$20.27 million and **\$3.65 million** \$11.49 million during the **six nine** months ended **June 30, 2023** September 30, 2023 and 2022, respectively.

Sales agent services of coals, aluminum ingots, sand and steel

For the sale of third-party products where the Company obtains control of the product before transferring it to the customer, the Company recognizes revenue based on the gross revenue amount billed to customers as sales of goods listed above. The Company considers multiple factors when determining whether it obtains control of third-party products, including evaluating if it can establish the price of the product, retains inventory risk for tangible products or has the responsibility for ensuring acceptability of the product. The Company recognizes net revenue as agent services for the sales of coals, **and** aluminum ingots, sand and steel when no control obtained throughout the transactions. Revenue was **\$0.48 million** \$0.20 million and **nil** during the **six nine** months ended **June 30, 2023** September 30, 2023 and 2022, respectively.

Asset Management Service

The Company recognizes service revenue when a service is rendered, the Company issues bills to its customers and recognizes revenue according to the bills.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is computed using the straight-line method over the useful lives of the assets. Major renewals and betterments are capitalized and depreciated; maintenance and repairs that do not extend the life of the respective assets are expensed as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of income and comprehensive income.

Depreciation related to property, plant and equipment used in production is reported in cost of sales, and includes amortized amounts related to capital leases. We estimated that the residual value of the Company's property and equipment ranges from 3% to 5%. Property, plant and equipment are depreciated over their estimated useful lives as follows:

Machinery and equipment	5-10 years
Building	30 years
Furniture and office equipment	3-5 years
Motor vehicles	5 years

Intangible Assets

Acquired intangible assets are recognized based on their cost to the Company, which generally includes the transaction costs of the asset acquisition, and no gain or loss is recognized unless the fair value of noncash assets given as consideration differs from the assets' carrying amounts on the Company's book. These assets are amortized over their useful lives if the assets are deemed to have a finite life and they are reviewed for impairment by testing for recoverability whenever events or changes in circumstances indicate that **its** their carrying amount may not be recoverable. The fair value of an intangible asset is the amount that would be determined if the entity used the assumptions that market participants would use if they were pricing the intangible asset. The useful life of the Company's intangible assets is **ten year, years**, which is determined by using the time period that an intangible is estimated to contribute directly or indirectly to a Company's future cash flows.

Foreign Currency and Other Comprehensive Income (Loss)

The financial statements of the Company's foreign subsidiaries and VIE are measured using the local currency as the functional currency; however, the reporting currency of the Company is the USD. Assets and liabilities of the Company's foreign subsidiaries have been translated into USD using the exchange rate at the balance sheet dates, while equity accounts are translated using historical exchange rate.

The exchange rate we used to convert RMB to USD was **7.23: 7.18:1** and 6.96:1 at the balance sheet dates of **June 30, 2023** September 30, 2023 and December 31, 2022, respectively. The average exchange rate for the period has been used to translate revenues and expenses. The average exchange rates we used to convert RMB to USD were **6.93: 7.01:1** and **6.48: 6.61:1** for **six nine** months ended **June 30, 2023** September 30, 2023 and 2022, respectively.

The exchange rate we used to convert HKD to USD was **7.84: 7.82:1** and 7.80:1 at the balance sheet dates of **June 30, 2023** September 30, 2023 and December 31, 2022. The average exchange rate for the period has been used to translate revenues and expenses. The average exchange rates we used to convert HKD to USD were **7.84: 7.83:1** and 7.83:1 for **six nine** months ended **June 30, 2023** September 30, 2023 and 2022, respectively.

The exchange rate we used to convert GBP to USD was **0.79: 0.82:1** and 0.83:1 at the balance sheet dates of **June 30, 2023** September 30, 2023 and December 31, 2022. The average exchange rate for the period has been used to translate revenues and expenses. The average exchange rates we used to convert GBP to USD were **0.81: 0.80:1** and **0.77: 0.80:1** for **six nine** months ended **June 30, 2023** September 30, 2023 and 2022, respectively.

The exchange rate we used to convert AED to USD was 3.66:1 and 3.67:1 at the balance sheet dates of **June 30, 2023** **September 30, 2023** and December 31, 2022. The average exchange rate for the period has been used to translate revenues and expenses. The average exchange rates we used to convert AED to USD were **3.67**:**3.66**:1 and 3.67:1 for **six** **nine** months ended **June** **September 30** 2023 and 2022, respectively.

The exchange rate we used to convert PYG to USD was **7258.03**:**7289.83**:1 and 7322.90:1 at the balance sheet dates of **June 30, 2023** **September 30, 2023** and December 31, 2022. The average exchange rate for the period has been used to translate revenues and expenses. The average exchange rate we used to convert PYG to USD was **7240.40**:**7250.00**:1 and **6903.82**:1 for **six** **nine** months ended **June** **September 30** **2023**, **2023** and **2022**.

Translation adjustments are reported separately and accumulated in a separate component of equity (cumulative translation adjustment).

#### Government subsidies

Government subsidies primarily consist of financial subsidies received from provincial and local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments. For certain government subsidies, there are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. The government subsidies of operating nature with no further conditions to be met are recorded of operating expenses in "Other income" in the consolidated statements when received.

The amendments in this update require disclosures about transactions with a government that have been accounted for by analogizing to a grant or contribution accounting model to increase transparency about (1) the types of transactions, (2) the accounting for the transactions, and (3) the effect of the transactions on an entity's financial statements.

#### Income Taxes

We use the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, "Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized.

ASC Topic 740-10-30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740-10-25 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have no material uncertain tax positions for any of the reporting periods presented.

## Goodwill

The Company tests goodwill for impairment for its reporting units on an annual basis, or when events occur or circumstances indicate the fair value of a reporting unit is below its carrying value. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that implied fair value of the goodwill within the reporting unit is less than its carrying value. The Company's evaluation of goodwill for impairment involves the comparison of the fair value of the reporting unit to its carrying value. The Company uses the discounted cash flow model to estimate fair value, which requires management to make significant estimates and assumptions related to forecasts of future revenue and operating margin. The company will perform annual goodwill impairment test end of the fiscal year.

## Short-term investments

Short-term investments consist primarily of investments in fixed deposits with original maturities between three months and one year and certain investments in wealth management products and other investments that the Company has the intention to redeem within one year. Fair valued or carried at amortized costs. As of **June 30, 2023**, **September 30, 2023** and December 31, 2022, the short-term investments amounted to **\$1.06 million**, **\$0.95 million** and **\$0.99 million**, respectively. Due to fluctuations of the quoted shares included in its investment portfolios, the Company unrealized holding gains on available-for-sale securities of **\$0.11 million** on June 30, 2023 and recognized an impairment to the investment portfolio of **\$0.91 million** on December 31, 2022. **\$3,872** and **\$0.93 million** during the nine months ended September 30, 2023 and 2022.

## Lease

We adopted ASU No. 2016-02, Leases (Topic 842), or ASC 842, from January 1, 2020. We determine if an arrangement is a lease or contains a lease at lease inception. For operating leases, we recognize a right-of-use ("ROU") asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. As most of our leases do not provide an implicit rate, we estimate our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The ROU assets also include any lease payments made, net of lease incentives. Lease expense is recorded on a straight-line basis over the lease term. Our leases often include options to extend and lease terms include such extended terms when we are reasonably certain to exercise those options. Lease terms also include periods covered by options to terminate the leases when we are reasonably certain not to exercise those options.

## Share-based compensation

The Company awards share options and other equity-based instruments to its employees, directors and consultants (collectively "share-based payments"). Compensation cost related to such awards is measured based on the fair value of the instrument on the grant date. The Company recognizes the compensation cost over the period the employee is required to provide service in exchange for the award, which generally is the vesting period. The amount of cost recognized is adjusted to reflect the expected forfeiture prior to vesting. When no future services are required to be performed by the employee in exchange for an award of equity instruments, and if such award does not contain a performance or market condition, the cost of the award is expensed on the grant date. The Company recognizes compensation cost for an award with only service conditions that has a graded vesting schedule on a straight-line basis over the requisite service period for the entire award, provided that the cumulative amount of compensation cost recognized at any date at least equals the portion of the grant-date value of such award that is vested at that date.

## Variable interest entities

On July 31, 2019, Cloud Chain Network and Technology (Tianjin) Co., Limited ("CCM Tianjin" or "WFOE", formerly known as Chain Cloud Mall Network and Technology (Tianjin) Co., Limited), E-commerce Tianjin, and Mr. Zeyao Xue and Mr. Kai Xu, citizens of China and shareholders of E-commerce Tianjin, entered into the following agreements, or collectively, the "Variable Interest Entity Agreements" or "VIE Agreements," pursuant to which CCM Tianjin has contractual rights to control and operate the business of E-commerce Tianjin (the "VIE"). Therefore, pursuant to ASC 810, E-Commerce Tianjin is included in the Company's consolidated financial statements since then.

Pursuant to Chinese law and regulations, a foreign owned enterprise cannot apply for and hold a license for operation of certain e-commerce businesses, the category of business which the Company is conducting in China. CCM Tianjin is an indirectly wholly foreign owned enterprise of the Company. In order to comply with Chinese law and regulations, CCM Tianjin agreed to provide E-commerce Tianjin an Exclusive Operation and Use Rights Authorization to operate and use the Cloud Chain Mall System owned by CCM Tianjin.

E-commerce Tianjin was incorporated by Mr. Zeyao Xue and Mr. Kai Xu solely for the purpose of holding the operation license of the Cloud Chain Mall System. Mr. Zeyao Xue is a major shareholder of the Company and the son of Mr. Yongke Xue, the president of the Company. Mr. Kai Xu was the Chief Operating Officer of the Company and currently is the Deputy General Manager of FT Commercial Group Ltd., a wholly owned subsidiary of the Company and the vice president of blockchain division of the Company.

The VIE Agreements are as follows:

- 1) Exclusive Technology Consulting and Service Agreement by and between CCM Tianjin and E-commerce Tianjin. Pursuant to the Exclusive Technology Consulting and Service Agreement, CCM Tianjin agreed to act as the exclusive consultant of E-commerce Tianjin and provide technology consulting and services to E-commerce Tianjin. In exchange, E-commerce Tianjin agreed to pay CCM Tianjin a technology consulting and service fee, the amount of which is to be equivalent to the amount of net profit before tax of E-commerce Tianjin, payable on a quarterly basis after making up losses of previous years (if necessary) and deducting necessary costs and expenses and taxes related to the business operations of E-commerce Tianjin. Without the prior written consent of CCM Tianjin, E-commerce Tianjin may not accept the same or similar technology consulting and services provided by any third party during the term of the agreement. All the benefits and interests generated from the agreement, including but not limited to intellectual property rights, know-how and trade secrets, will be CCM Tianjin's sole and exclusive property. This agreement has a term of 10 years and may be extended unilaterally by CCM Tianjin with CCM Tianjin's written confirmation prior to the expiration date. E-commerce Tianjin cannot terminate the agreement early unless CCM Tianjin commits fraud, gross negligence or illegal acts, or becomes bankrupt or winds up.
- 2) Exclusive Purchase Option Agreement by and among CCM Tianjin, E-commerce Tianjin, Mr. Zeyao Xue and Mr. Kai Xu. Pursuant to the Exclusive Purchase Option Agreement, Mr. Zeyao Xue and Mr. Kai Xu granted to CCM Tianjin and any party designated by CCM Tianjin the exclusive right to purchase, at any time during the term of this agreement, all or part of the equity interests in E-commerce Tianjin, or the "Equity Interests," at a purchase price equal to the registered capital paid by Mr. Zeyao Xue and Mr. Kai Xu for the Equity Interests, or, in the event that applicable law requires an appraisal of the Equity Interests, the lowest price permitted under applicable law. Pursuant to powers of attorney executed by Mr. Zeyao Xue and Mr. Kai Xu, they irrevocably authorized any person appointed by CCM Tianjin to exercise all shareholder rights, including but not limited to voting on their behalf on all matters requiring approval of E-commerce Tianjin's shareholder, disposing of all or part of the shareholder's equity interest in E-commerce Tianjin, and electing, appointing or removing directors and executive officers. The person designated by CCM Tianjin is entitled to dispose of dividends and profits on the equity interest without reliance on any oral or written instructions of Mr. Zeyao Xue and Mr. Kai Xu. The powers of attorney will remain in force for so long as Mr. Zeyao Xue and Mr. Kai Xu remain the shareholders of E-commerce Tianjin. Mr. Zeyao Xue and Mr. Kai Xu have waived all the rights which have been authorized to CCM Tianjin's designated person under the powers of attorney.
- 3) Equity Pledge Agreements by and among CCM Tianjin, E-commerce Tianjin, Mr. Zeyao Xue and Mr. Kai Xu. Pursuant to the Equity Pledge Agreements, Mr. Zeyao Xue and Mr. Kai Xu pledged all of the Equity Interests to CCM Tianjin to secure the full and complete performance of the obligations and liabilities on the part of E-commerce Tianjin and them under this and the above contractual arrangements. If E-commerce Tianjin, Mr. Zeyao Xue, or Mr. Kai Xu breaches their contractual obligations under these agreements, then CCM Tianjin, as pledgee, will have the right to dispose of the pledged equity interests. Mr. Zeyao Xue and Mr. Kai Xu agree that, during the term of the Equity Pledge Agreements, they will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests, and they also agree that CCM Tianjin's rights relating to the equity pledge should not be interfered with or impaired by the legal actions of the shareholders of E-commerce Tianjin, their successors or designees. During the term of the equity pledge, CCM Tianjin has the right to receive all of the dividends and profits distributed on the pledged equity. The Equity Pledge Agreements will terminate on the second anniversary of the date when E-commerce Tianjin, Mr. Zeyao Xue and Mr. Kai Xu have completed all their obligations under the contractual agreements described above.
- 4) Exclusive Operation and Use Rights Authorization letter which authorizes CCM Tianjin, to exclusively operate and use the Cloud Chain Mall System and the authorization period is the same as the term of the EXCLUSIVE THEHNOLGY CONSULTING AND SERVICE AGREEMENT entered into by and between CCM Tianjin and E-commerce Tianjin dated July 31, 2019.
- 5) GlobalKey Shared Mall Shopping Platform Software and System Transfer Agreement by and between Future Supply Chain Co., Ltd. and Cloud Chain Mall Network and Technology (Tianjin) Co., Ltd., pursuant to which the GlobalKey Shared Mall Shopping Platform Software and System was transferred from Future Supply China Co., Ltd. to CCM Tianjin and that both parties were wholly owned subsidiaries of the Company and transfer price is \$0.
- 6) Spousal Consent Letters. The spouse of Mr. Kai Xu (Mr. Zeyao Xue is not married), the shareholder of E-Commerce Tianjin has signed a spousal consent letter agreeing that the equity interests in E-Commerce Tianjin held by and registered under the name of such shareholder will be disposed pursuant to the contractual agreements with CCM Tianjin. The spouse of such shareholder agreed not to assert any rights over the equity interest in E-Commerce Tianjin held by such shareholder.

## New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13 ("ASU 2016-13") "Financial Instruments - Credit Losses" ("ASC 326"): Measurement of Credit Losses on Financial Instruments" which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in earlier recognition of credit losses. In November 2019, the FASB issued ASU 2019-10 "Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)" ("ASC 2019-10"), which defers the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, for public entities which meet the definition of a smaller reporting company. The Company adopt ASU 2016-13 effective January 1, 2023. Management adopted of ASU 2016-13 on the consolidated financial statements. The effect will largely depend on the composition and credit quality of our investment portfolio and the economic conditions at the time of adoption.

In November 2021, the FASB issued ASU No. 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance. The amendments in this update require disclosures about transactions with a government that have been accounted for by analogizing to a grant or contribution accounting model to increase transparency about (1) the types of transactions, (2) the accounting for the transactions, and (3) the effect of the transactions on an entity's financial statements. The amendments are effective for all entities within their scope, which excludes not-for-profit entities and employee benefit plans, for financial statements issued for annual periods beginning after December 15, 2021. Early application of the amendment is permitted. The Company adopted ASU No. 2021-10 effective on January 1, 2022. The adoption of this standard did not have a material impact on the Company consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material impact on the accompanying consolidated financial statements.

### 3. VARIABLE INTEREST ENTITY

The carrying amount of the VIE's consolidated assets and liabilities are as follows:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 15,689	\$ 12,684	\$ 10,549	\$ 12,684
Other receivables	1,196	768	745	768
Other current assets	6,925	14,371	7,863	14,371
Total current assets	23,810	27,823	19,157	27,823
Property and equipment, net	71	98	71	98
Intangible assets	-	88,302	-	88,302
Total assets	23,881	116,223	19,228	116,223
Total liabilities	(238,771)	(248,964)	(240,266)	(248,964)
Net assets	\$ (214,890)	\$ (132,741)	\$ (221,038)	\$ (132,741)

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Current liabilities:				
Accounts payable	\$ 17,982	\$ 18,657	\$ 18,098	\$ 18,657
Accrued expenses and other payables	5,029	6,455	5,025	6,455
Advances from customers	2,552	2,648	2,569	2,648
Amount due to related party	213,208	221,204	214,574	221,204
Total current liabilities	238,771	248,964	240,266	248,964
Total liabilities	\$ 238,771	\$ 248,964	\$ 240,266	\$ 248,964

The summarized operating results of the VIE's are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023		2022		2023		2022	
	\$ 61,922	\$ 652	\$ 72,810	\$ 652	\$ (355)	\$ 1,378	\$ 72,455	\$ 2,029
Revenue								
Gross profit	4,988	639	9,828	640	(6,573)	1,390	3,255	2,029
Net loss	(2,361)	(51,194)	(19,558)	(94,752)	(180,198)	(48,517)	(199,756)	(143,424)

#### 4. ACCOUNTS RECEIVABLE

Accounts receivable, net consist of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Supply Chain Financing/Trading	\$ 1,415,853	\$ 6,624,654	\$ 1,816,911	\$ 6,624,654
Asset management service	1,283,617	1,145,518	1,400,416	1,145,518
Others	\$ 9,023	\$ 26,500	\$ 8,326	\$ 26,500
Total accounts receivable, net	\$ 2,708,493	\$ 7,796,672	\$ 3,225,653	\$ 7,796,672

The following table sets forth our concentration of accounts receivable, net of specific allowances for doubtful accounts.

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Debtor A	32.70 %	46.08 %	33.05 %	46.08 %
Debtor B	33.41 %	15.65 %	26.92 %	15.65 %
Debtor C	19.58 %	14.26 %	21.15 %	14.26 %
Total accounts receivable, net	85.69 %	75.99 %	81.12 %	75.99 %

#### 5. OTHER RECEIVABLES

As of **June 30, 2023** **September 30, 2023**, the balance of other receivables was **\$5.74 million** **\$5.89 million**.

As of April 22, 2022 and January 31, 2023, FTFT Super Computing Inc. entered into a "Electricity Sales and Purchase Agreement" with a third-party seller. FTFT Super Computing Inc. provided an initial amount of Adequate Assurance to the seller in the form of a cash deposit in the amount of \$1.86 million and has receivables from resale of pre purchase electricity **\$0.18 million** **\$0.17 million**.

On February 3, 2023, Future Fintech Group Inc. entered into a "Consulting Agreement" with a third party for its professional service of potential acquisition projects. Future Fintech Group Inc. provided initial amount of cash deposit to the third party in the amount of \$2.40 million. **On May 18, 2023, the parties terminated the agreement and the Company has received repayment of \$2.40 million.**

In addition, other receivables included total **\$1.48 million** **\$1.46 million** deposit paid and prepayments to third parties.

As of December 31, 2022, the balance of other receivables was \$2.65 million.

On October 1, 2022, FTFT UK Limited (the "Buyer"), a wholly owned subsidiary of the Company acquired 100% equity interest of Khyber Money Exchange Ltd. ("Khyber") for £786,887. Buyer deposited £400,000 for cash balance expected to be left in the bank account of Khyber at the closing to the Buyer's solicitors' client account upon the final closing of the acquisition, and the Buyer's solicitors shall refund the amount after deducting the cash balance in Khyber's account upon closing. As of January 9, 2023, the Company has received refund \$0.24 million.

As of April 22, 2022, FTFT Super Computing Inc. entered into a "Electricity Sales and Purchase Agreement" with a third-party seller. FTFT Super Computing Inc. provided an initial amount of Adequate Assurance to the seller in the form of a cash deposit in the amount of \$1.00 million and has receivables from resale of electricity \$0.24 million.

In addition, other receivables included total \$1.17 million deposit paid and prepayments to third parties.

## 6. LOAN RECEIVABLES

As of **June 30, 2023** **September 30, 2023**, the balance of loan receivables was **\$4.91 million** **\$4.92 million**, which was from a third party.

On March 10, 2022, Future FinTech (Hong Kong) Limited ("FTFT HK"), a wholly owned subsidiary of the Company, entered into a "Loan Agreement" with a third party. Pursuant to the Loan Agreement, FTFT HK loaned an amount of \$5.00 million to the third party at the annual interest rate of 10% from March 10, 2022 to **September 9, 2023** **September 9, 2024**. To strengthen the liquidity, the Company negotiated with the borrower to early settle part of the loan. As of April 17, 2023, the Company has received repayment \$2.16 million.

On May 31, 2022, FTFT HK entered into a "Loan Agreement" with the same third party. Pursuant to the Loan Agreement, FTFT HK loaned an amount of \$6.36 million to the third party at the annual interest rate of 10% from May 31, 2022 to May 30, 2023. To strengthen the liquidity, the Company negotiated with the borrower to early settle part of the loan. As of April 17, 2023, the Company has received repayment \$6.36 million.

On December 26, 2022, FTFT HK entered into a "Loan Agreement" with the same third party. Pursuant to the Loan Agreement, FTFT HK loaned an amount of \$0.40 million to the third party at the annual interest rate of 10% from December 26, 2022 to March 26, 2023. As of April 17, 2023, the Company has received repayment \$0.40 million.

On July 14, 2022, Future Private Equity Fund Management (Hainan) Co., Limited entered into a "Loan Agreement" with a third party. Pursuant to the Loan Agreement, Future Private Equity Fund Management (Hainan) Co., Limited loaned an amount of \$6.92 million (RMB50 million) to the third party at the annual interest rate of 8% from July 15, 2022 to July 14, 2023, guarantee by Junde Chen. To strengthen the liquidity, the Company negotiated with the borrower to early settle part of the loan. As of April 17, 2023, the Company has received repayment \$4.83 million (RMB35 million). The amount of **\$2.07 million** **\$2.08 million** (RMB15 million) will be repaid within **6** **12** months.

As of December 31, 2022, the balance of loan receivables was \$19.16 million, which was from a third party.

On September 8, 2021, FUCE Future Supply Chain (Xi'an) Co., Ltd., a wholly owned subsidiary of the Company, entered into a "Loan Agreement" with a third party. Pursuant to the Loan Agreement, FUCE Future Supply Chain (Xi'an) Co., Ltd. loaned an amount of \$0.22 million (RMB1.5 million) to the third party at the annual interest rate of 5.25% from September 8, 2021 to September 6, 2023. As of March 30, 2023, the Company has received repayment \$0.22 million.

On March 10, 2022, FTFT HK entered into a "Loan Agreement" with a third party. Pursuant to the Loan Agreement, FTFT HK loaned an amount of \$5.00 million to the third party at the annual interest rate of 10% from March 10, 2022 to **September 9, 2023** **September 9, 2024**. To strengthen the liquidity, the Company negotiated with the borrower to early settle part of the loan. As of April 17, 2023, the Company has received repayment \$2.16 million.

On May 31, 2022, FTFT HK entered into a "Loan Agreement" with a third party. Pursuant to the Loan Agreement, FTFT HK loaned an amount of \$6.36 million to the same third party at the annual interest rate of 10% from May 31, 2022 to May 30, 2023. To strengthen the liquidity, the Company negotiated with the borrower to early settle part of the loan. As of April 17, 2023, the Company has received repayment \$6.36 million.

On December 26, 2022, FTFT HK entered into a "Loan Agreement" with a third party. Pursuant to the Loan Agreement, FTFT HK loaned an amount of \$0.40 million to the same third party at the annual interest rate of 10% from December 26, 2022 to March 26, 2023. As of April 17, 2023, the Company has received repayment \$0.40 million.

On July 14, 2022, Future Private Equity Fund Management (Hainan) Co., Limited entered into a "Loan Agreement" with a third party. Pursuant to the Loan Agreement, Future Private Equity Fund Management (Hainan) Co., Limited loaned an amount of \$7.28 million (RMB50 million) to the third party at the annual interest rate of 8% from July 15, 2022 to July 14, 2023, guarantee by Junde Chen. To strengthen the liquidity, the Company negotiated with the borrower to early settle part of the loan. As of April 17, 2023, the Company has received repayment \$5.09 million (RMB35 million). The amount of **\$2.18 million** (RMB15 million) will be repaid within **6** **12** months.

## 7. SHORT - TERM INVESTMENT

As of **June 30, 2023** **September 30, 2023**, the balance of short - term investments were **\$1.06 million** **\$0.95 million**. On September 6, 2021, Future Private Equity Fund Management (Hainan) Co., Ltd. invested RMB13,000,000 (\$1.79 million) to entrust Shanghai Yuli Enterprise Management Consulting Firm to invest in various types of investment portfolios. According to the market value, the Company's balance of the short - term investment was **\$1.06 million** **\$0.95 million** on **June 30, 2023** **September 30, 2023**. Due to fluctuations of the quoted shares included in its investment portfolios, the Company **unrealized holding gains on available-for-sale securities** recognized an impairment to the investment portfolio of **\$0.11 million**. **\$3,872**.

As of December 31, 2022, the balance of short - term investments were \$0.99 million. On September 6, 2021, Future Private Equity Fund Management (Hainan) Co., Ltd. invested RMB13,000,000 (\$1.87 million) to entrust Shanghai Yuli Enterprise Management Consulting Firm to invest in various types of investment portfolios. According to the market value, the Company's balance of the short - term investments was \$0.99 million on December 31, 2022. Due to fluctuations of the quoted shares included in its investment portfolios, the Company recognized an impairment to the investment portfolio of \$0.91 million.

## 8. OTHER CURRENT ASSETS

The amount of other current assets consisted of the followings:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Prepayments for Supply Chain Financing/Trading	\$ 14,955,258	\$ 3,766,643	\$ 54,405	\$ 3,766,643
Prepayments for Sand and Steel Supply Chain Financing/Trading	3,938,132	-	1,485,999	-
Prepaid expenses	110,762	72,544	92,499	72,544
Others	906,461	831,077	579,202	831,077
Total	\$ 19,910,613	\$ 4,670,264	\$ 2,212,105	\$ 4,670,264

## 9. GOODWILL

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the balance of goodwill mainly represented an amount of \$13.98 million that arose from acquisition of Nice Talent Asset Management Limited ("Nice Talent") in 2021 and Khyber Money Exchange Ltd., in 2022.

On August 6, 2021, the Company through its wholly owned subsidiary Future FinTech (Hong Kong) Limited., completed its acquisition of 90% of the issued and outstanding shares of Nice Talent from Joy Rich Enterprises Limited for HK\$144,000,000 (the "Purchase Price") which shall be paid in the shares of common stock of the Company (the "Company Shares"). 60% of the Purchase Price (\$11.22 million) was paid in 2,244,156 pre reverse stock split shares of common stock of the Company on August 4, 2021. 40% of the Purchase Price (\$7.39 million) in two installments for 20% each shall be paid in shares of common stock of the Company upon the completion of the audited reports for Nice Talent for each of the years ended on December 31, 2021 and December 31, 2022, respectively.

On October 1, 2022, FTFT UK Limited, a wholly owned subsidiary of the Company, acquired 100% equity interest of Khyber Money Exchange Ltd., a company incorporated in England and Wales, for £786,887 (\$0.95 million).

The Company recorded \$2.21 million of impairment loss in fiscal year 2022 related with goodwill mainly arose from acquisition of Nice Talent Asset Management Limited and FTFT Finance UK Limited (formerly known as Khyber Money Exchange Ltd.). Goodwill impairment test as of December 31, 2022 using compare the carrying amount of the reporting unit (including goodwill) with its fair value. If the carrying amount exceeds the fair value, compare the implied fair value of the reporting unit's goodwill with the carrying amount of goodwill. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss should be recognized.

## 10. ACQUISITION

### *Nice Talent*

On August 6, 2021 ("Acquisition Date"), the Company through its wholly owned subsidiary Future FinTech (Hong Kong) Limited., completed its acquisition of 90% of the issued and outstanding shares of Nice Talent from Joy Rich Enterprises Limited for HK\$144,000,000 (the "Purchase Price") which shall be paid in the shares of common stock of the Company (the "Company Shares"). 60% of the Purchase Price (\$11.22 million) was paid in 2,244,156 pre reverse stock split shares of common stock of the Company on August 4, 2021. 40% of the Purchase Price (\$7.39 million) in two installments for 20% each shall be paid in shares of common stock of the Company upon the completion of the audited reports for Nice Talent of the years ended on December 31, 2021 and 2022, respectively. Nice Talent has met the performance requirements for the year ended on December 31, 2021 and **2022**, however, the **2022**. The 40% of the Purchase Price has **not** been paid in the shares of common stock of the Company to Joy Rich as of the date of this report, on October 17, 2023.

The transaction was accounted for in accordance with the provisions of ASC 805-10, Business Combinations. The Company retained an independent appraisal firm to advise management in the determination of the fair value of the various assets acquired and liabilities assumed. The values assigned in these financial statements represent management's best estimate of fair values as of the Acquisition Date.

As required by ASC 805-20, Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest, management conducted a review to reassess whether they identified all the assets acquired and all the liabilities assumed, and followed ASC 805-20's measurement procedures for recognition of the fair value of net assets acquired.

The following table summarizes the allocation of estimated fair values of net assets acquired and liabilities assumed:

Accounts receivable	\$ 1,407,902
Other receivables	27,701
Other current assets	7,039
Property, plant and equipment, net	53,577
Amount Due from Related Party	38,323
Accrued expenses and other payables	(498,515)
Net identifiable assets acquired	\$ 1,036,027
Less: non-controlling interests	131,165
Add: goodwill	17,164,598
Total purchase price for acquisition net of \$275,624 of cash	\$ 18,069,460

The Company has included the operating results of Nice Talent in its consolidated financial statements since the Acquisition Date.

*Khyber Money Exchange Ltd.*

On October 1, 2022, FTFT UK Limited, a wholly owned subsidiary of the Company acquired 100% equity interest of Khyber Money Exchange Ltd., a company incorporated in England and Wales, for £786,887 (\$0.95 million). The Company has changed its name from Khyber Money Exchange Ltd., to FTFT Finance UK Limited on October 11, 2022.

The following table summarizes the allocation of estimated fair values of net assets acquired and liabilities assumed:

Other receivables	\$ 242,087
Property, plant and equipment, net	584
Accrued expenses and other payables	(89,888)
Net identifiable assets acquired	\$ 152,783
Add: goodwill	628,938
Total purchase price for acquisition net of \$166,676 of cash	\$ 781,721

The Company has included the operating results of FTFT Finance UK Limited in its consolidated financial statements since October 1, 2022.

**11. LEASES**

The Company's non-cancellable operating leases consist of leases for office space. The Company is the lessee under the terms of the operating leases. For the **six nine** months ended **June 30, 2023** September 30, 2023, the operating lease cost was **\$0.88 million** \$0.80 million.

The Company's operating leases have remaining lease terms of approximately **45 42** months. As of **June 30, 2023** September 30, 2023, the weighted average remaining lease term and weighted average discount rate were **3.75 3.50** years and 4.75%, respectively.

Maturities of lease liabilities were as follows:

	Operating Lease	Operating Lease
<b>As of June 30,</b>		
From July 1, 2023 to July 31, 2024	\$ 371,336	
From July 1, 2024 to July 31, 2025	231,889	
From July 1, 2025 to July 31, 2026	204,000	
From July 1, 2026 to July 31, 2027	153,000	
<b>As of September 30,</b>		Operating Lease
From October 1, 2023 to September 30, 2024	\$ 358,374	
From October 1, 2024 to September 30, 2025	204,000	
From October 1, 2025 to September 30, 2026	204,000	
From October 1, 2026 to September 30, 2027	102,000	
Total	\$ 960,225	\$ 868,374
Less: amounts representing interest	\$ 75,972	\$ 65,394
Present Value of future minimum lease payments	884,253	802,980
Less: Current obligations	297,571	289,781
Long term obligations	\$ 586,682	\$ 513,199

The Company leases office space and equipment under various short-term operating leases. As permitted by ASC 842, the Company has elected the practical expedient for short-term leases, whereby lease assets and lease liabilities are not recognized on the balance sheet. Short term leases cost was **\$0.14 million** \$0.17 million for **six nine** months ended **June 30, 2023** September 30, 2023.

## 12. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Office equipment, fixtures and furniture	\$ 561,668	\$ 491,022	\$ 544,645	\$ 491,022
Vehicle	859,646	798,955	850,026	798,955
Building	37,590	37,785	37,652	37,785
<b>Subtotal</b>	<b>1,458,904</b>	<b>1,327,762</b>	<b>1,432,323</b>	<b>1,327,762</b>
Less: accumulated depreciation and amortization	(430,112)	(277,094)	(491,077)	(277,094)
Construction in progress	3,356,020	3,372,301	3,691,710	3,372,301
Impairment	(5,483)	(5,688)	(5,518)	(5,688)
<b>Total</b>	<b>\$ 4,379,329</b>	<b>\$ 4,417,281</b>	<b>\$ 4,627,438</b>	<b>\$ 4,417,281</b>

Depreciation expense included in general and administration expenses for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022 was **\$149,803** **\$223,687** and **\$90,182**, **\$137,187**, respectively. Depreciation expense included in cost of sales for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022 was nil, respectively.

## 13. INTANGIBLE ASSETS

Intangible assets consist of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Trademarks	\$ 830	862	\$ 836	862
System and software	2,506,162	2,578,647	2,518,547	2,578,647
<b>Subtotal</b>	<b>2,506,992</b>	<b>2,579,509</b>	<b>2,519,383</b>	<b>2,579,509</b>
Less: accumulated depreciation and amortization	(222,372)	(199,151)	(237,536)	(199,151)
Less: impairment	(1,795,069)	(1,862,289)	(1,806,554)	(1,862,289)
<b>Total</b>	<b>\$ 489,551</b>	<b>\$ 518,069</b>	<b>\$ 475,293</b>	<b>\$ 518,069</b>

Amortization expense included in general and administration expenses for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022 was **\$28,233** **\$45,699** and **\$28,233**, **\$45,699**, respectively. Amortization expense included in cost of sales for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022 was nil, respectively.

The estimated amortization is as follows:

<b>As of June 30, 2023</b>	<b>Estimated amortization expense</b>
From July 1, 2023 to July 31, 2024	\$ 57,035
From July 1, 2024 to July 31, 2025	57,035
From July 1, 2025 to July 31, 2026	57,035
From July 1, 2026 to July 31, 2027	57,035
From July 1, 2027 to July 31, 2028	57,035
Thereafter	204,376
<b>Total</b>	<b>\$ 489,551</b>

<b>As of September 30, 2023</b>	<b>Estimated amortization expense</b>
From October 1, 2023 to September 30, 2024	\$ 57,035
From October 1, 2024 to September 30, 2025	57,035
From October 1, 2025 to September 30, 2026	57,035
From October 1, 2026 to September 30, 2027	57,035
From October 1, 2027 to September 30, 2028	57,035
Thereafter	190,118
<b>Total</b>	<b>\$ 475,293</b>

14. NOTE PAYABLE

Note payable consist of the following:

	Issue date	Principal amount US\$	Mature date	Fee	Issue date	Principal amount US\$	Mature date	Fee
FUCE Future Supply Chain (Xi'an) Co., Ltd.	August 10, 2022	\$ 1,383,930	August 10, 2023	0.05 %	December 19, 2022	696,398	December 19, 2023	0.05 %
FUCE Future Supply Chain (Xi'an) Co., Ltd.	August 12, 2022	691,965	August 12, 2023	0.05 %				
FUCE Future Supply Chain (Xi'an) Co., Ltd.	July 28, 2022	691,965	July 28, 2023	0.05 %				
FUCE Future Supply Chain (Xi'an) Co., Ltd.	December 19, 2022	691,965	December 19, 2023	0.05 %				
Total		<u><u>\$ 3,459,825</u></u>				<u><u>\$ 696,398</u></u>		

At maturity, the Notes are payable at their principal amount thereon. The occurring with respect to any of the Company's indebtedness, an event of default resulting in accelerated maturity or a failure to pay principal, interest or premium when due, the overdue interest shall be charged at 0.05% per day, without the need to notify the applicant and sign another loan contract. As of **June 30, 2023** **September 30, 2023**, there was no such event of default.

#### 15. ACCOUNT PAYABLES

The amount of account payables were consisted of the followings:

Supply Chain Financing/Trading payment

Others

Total

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
\$ 378,608	\$ 3,584,920	\$ 334,153	\$ 3,584,920	
17,983	18,657	18,098	18,657	
<b>\$ 396,591</b>	<b>\$ 3,603,577</b>	<b>\$ 352,251</b>	<b>\$ 3,603,577</b>	

#### 16. ACCRUED EXPENSES AND OTHER PAYABLES

The amount of accrued expenses and other payables consisted of the followings:

Legal fee and other professionals

Wages and employee reimbursement

Suppliers

Accruals

Total

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
\$ 64,303	\$ 533,048	\$ 64,511	\$ 533,048	
67,275	763,983	136,605	763,983	
1,040,142	708,287	871,076	708,287	
1,758,473	208,938	1,419,016	208,938	
<b>\$ 2,930,193</b>	<b>\$ 2,214,256</b>	<b>\$ 2,491,208</b>	<b>\$ 2,214,256</b>	

#### 17. ADVANCES FROM CUSTOMERS

The amount of advances from customers consisted of the followings:

Coal and Aluminum Ingots Supply Chain Financing/Trading

Others

Total

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
\$ 14,669,656	\$ 1,233,592	\$ 313	\$ 1,233,592	
45,140	2,649	65,354	2,649	
<b>\$ 14,714,796</b>	<b>\$ 1,236,241</b>	<b>\$ 65,667</b>	<b>\$ 1,236,241</b>	

## 18. DEFERRED LIABILITIES

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the balance of deferred liabilities mainly represented an amount of \$7.39 million that arose from the payment for the remaining 40% of the Purchase Price of the acquisition of Nice Talent Asset Management Limited ("Nice Talent"). 20% and 20% of the Purchase Price in two installments for 20% each shall be paid in shares of common stock of the Company upon the completion of the audited reports for Nice Talent for the years ended on December 31, 2021 and 2022, respectively. **However, the** **The** 40% of the Purchase Price has not been paid in the shares of common stock of the Company **as of the date of this report**, **on October 17, 2023**.

## 19. RELATED PARTY TRANSACTION

As of **June 30, 2023** **September 30, 2023**, the amounts due to the related parties were consisted of the followings:

Name	Amount (US\$)	Relationship	Note	Amount (US\$)	Relationship	Note
Zhi Yan		General Manager of a subsidiary of the Company	Accrued expenses, interest free and payment on demand.	204,610	General Manager of a subsidiary of the Company	Accrued expenses, interest free and payment on demand.
	212,358					
Ming Yi				16,638	Chief Financial Officer of the Company	Accrued expenses, interest free and payment on demand.
Reits (Beijing) Technology Co., Ltd		Zhi Yan is the legal representative of this company	Acquisition of intangibles upon the full completion of the online platform pursuant to an agreement originally entered between parties before Zhi Yan became a related party. The amount is interest free and payment on demand.	14,102	Zhi Yan is the legal representative of this company	Acquisition of intangibles upon the full completion of the online platform pursuant to an agreement originally entered between parties before Zhi Yan became a related party. The amount is interest free and payment on demand.
	14,013					
Total	\$ 226,372			\$ 235,350		

As of **June 30, 2023** **September 30, 2023**, the amounts due from the related parties were consisted of the followings:

Name	Amount (US\$)	Relationship	Note	Amount (US\$)	Relationship	Note

Kai Xu		Deputy General Manager of a subsidiary of the Company	Prepaid expenses, interest free and payment on demand.	Deputy General Manager of a subsidiary of the Company	Prepaid expenses, interest free and payment on demand.
	50,365				
Ming Yi	<u>5,168</u>	Chief Financial Officer of the Company	Prepaid expenses, interest free and payment on demand.		
Yang Liu				Chief Operating Officer of the Company*	Prepaid expenses, interest free and payment on demand.
Total		\$ 55,533		<u>294</u>	\$ 50,981

\* Mr. Yang Liu resigned as Chief Operating Officer of the Company on July 27, 2023 and remains as an officer of a subsidiary of the Company.

During **six** nine months ended **June 30, 2023** **September 30, 2023**, the Company had the following transactions with related parties:

Name	Amount	Relationship	Note	Amount	Relationship	Note
JKNDC Limited		A company owned by the minority shareholder of NTAM	Other income	\$ (5,744)	A company owned by the minority shareholder of NTAM	Other income
	\$ (3,827)					
JKNDC Limited		A company owned by the minority shareholder of NTAM	Cost of revenue-management service payable to JKNDC	960,312	A company owned by the minority shareholder of NTAM	Cost of revenue-Asset management service payable to JKNDC
	710,594					
Alpha Yield Limited		A director of NTAM is a shareholder of this company	Consultancy fee payable to Alpha Yield	411,456	A director of NTAM is a shareholder of this company	Consultancy fee payable to Alpha Yield
	411,184					
Nice Talent Partner Limited		A company owned by the minority shareholder of NTAM	Consultancy fee payable to Nice Talent Partner	344,668	A company owned by the minority shareholder of NTAM	Consultancy fee payable to Nice Talent Partner
	229,627					

As of December 31, 2022, the amount due to the related parties was consisted of the followings:

Name	Amount (US\$)	Relationship	Note
Reits (Beijing) Technology Co., Ltd		Zhi Yan is the legal representative of this company	Acquisition of intangibles upon the full completion of the online platform pursuant to an agreement originally entered between parties before Zhi Yan was the general manager of our subsidiary.
	14,538		
Zhi Yan	230,281	General Manager of a subsidiary of the Company	Other payables, interest free and payment on demand.
<b>Total</b>	<b>\$ 244,819</b>		

As of December 31, 2022, the amount due from the related parties was consisted of the followings:

Name	Amount	Relationship	Note
Kai Xu	\$ 16	Deputy General Manager of a subsidiary of the Company	Advance to the officer, interest free and payment on demand.
Ming Yi	12,135	Chief Financial Officer of the Company	Advance to the officer, interest free and payment on demand.
Jing Chen	971	Vice president of the Company	Advance to the officer, interest free and payment on demand.
Ola Johannes Lind	2,168	Chief Executive Officer of the FTFT Capital Investments L.L.C. and Chief Strategy Officer of the Company	Advance to the officer, interest free and payment on demand.
Wong Tai Kue	37,836	NTAM's Director	Advance to the directors Amount is interest free and payment on demand.
<b>Total</b>	<b>\$ 53,126</b>		

During **nine** months ended **September 30, 2022**, the Company had the following transactions with related parties:

Name	Amount	Relationship	Note
Nice Talent Partner Limited	242,544	A company owned by the minority shareholder of NTAM	Consultancy fee payable to Nice Talent Partner

\* The related party transactions have been approved by the Company's Audit Committee.

## 20. INCOME TAX

The Company is incorporated in the United States of America and is subject to United States federal taxation. The applicable tax rate is 21% in 2023 and 2022. No provisions for income taxes have been made, as the Company had no U.S. taxable income for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022. For the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, the Company had current income tax expenses of **\$61,552** **\$72,287** and **\$311,741**, **\$513,178**, respectively.

The Company evaluates the level of authority for each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measures the unrecognized benefits associated with the tax positions. For the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company had no unrecognized tax benefits. Due to uncertainties surrounding future utilization, the Company estimates there will not be sufficient future income to realize the deferred tax assets for certain subsidiaries and a VIE.

The amount of unrecognized deferred tax liabilities for temporary differences related to the dividend from foreign subsidiaries is not determined because such determination is not practical.

The Company has not provided deferred taxes on undistributed earnings attributable to its PRC and Hong Kong subsidiaries as they are to be permanently reinvested.

The Company had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of ASC Topic 740, *Income Taxes*. Since the Company intends to reinvest its earnings to further expand its businesses in mainland China, its PRC subsidiaries do not intend to declare dividends to their immediate foreign holding companies in the foreseeable future. Accordingly, the Company has not recorded any deferred taxes in relation to US tax on the cumulative amount of undistributed retained earnings since January 1, 2008.

Effective on January 1, 2008, the PRC Enterprise Income Tax Law, EIT Law, and Implementing Rules imposed a unified enterprise income tax rate of 25% on all domestic-invested enterprises and foreign-invested enterprises in the PRC, unless they qualify under certain limited exceptions. The tax rate for pre-tax profits below RMB 1 million is 2.5%; the tax rate for pre-tax profits between RMB1 million to RMB 3 million is 10%. E-Commerce Tianjin, Future Supply (Chengdu) Co., Ltd. and Future Big Data (Chengdu) Co., Ltd. were subject to an enterprise income tax rate of 2.5% and 10%. Other subsidiaries and VIE were subject to an enterprise income tax rate of 25%.

Future Fin Tech (HongKong) Limited, QR (HK) Limited and Nice Talent Asset Management Limited is incorporated in Hong Kong and is subject to Hong Kong Profits Tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate is 16.5% in Hong Kong.

FTFT UK Limited and FTFT Finance UK Limited are incorporated in United Kingdom and are subject to United Kingdom Profits Tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant United Kingdom tax laws. The applicable tax rate is 19% in United Kingdom.

FTFT Capital investments L.L.C is incorporated in Dubai, United Arab Emirates. The applicable tax rate is nil in Dubai, United Arab Emirates.

Digipay Fintech Limited is incorporated in British Virgin Island. The applicable tax rate is nil in British Virgin Island.

FTFT Paraguay S.A. is incorporated in Republic of Paraguay. The applicable tax rate is 10% in Paraguay.

Reconciliation of the differences between the statutory EIT rate applicable to profits of the consolidated entities and the income tax expenses of the Company:

	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022
Loss before taxation	\$ (3,829,226)	\$ (4,723,164)	\$ (6,268,184)	\$ (8,155,624)
PRC statutory tax rate	25 %	25 %	25 %	25 %
Computed expected benefits	(957,307)	(1,180,791)	(1,567,046)	(2,038,906)
Others, primarily the differences in tax rates	223,650	306,902	385,370	603,823
Effect of tax losses not recognized	795,209	1,185,630	1,253,963	1,948,261
<b>Total</b>	<b>\$ 61,552</b>	<b>\$ 311,741</b>	<b>\$ 72,287</b>	<b>\$ 513,178</b>

## 21. IMPAIRMENT LOSS

The Company recorded nil \$3,872 and \$0.70 million \$0.23 million of impairment loss in six nine months ended 2023 and 2022 relating to the short - term investment mainly due to Future Private Equity Fund Management (Hainan) Co., Ltd. invested \$1.94 million \$1.85 million (RMB13,000,000) to entrust Shanghai Yuli Enterprise Management Consulting Firm to invest in various types of investment portfolios. The Company may still suffer significant impairment loss or downward adjustments of our investments in the future, due to the potential worsening global economic conditions, high interest rate and the volatility in the continuing low market price of shares that caused the Company to recognize a fair-value loss in six nine months ended June 30, 2022, September 30, 2023 and 2022. According to the market value, the Company's balance of the short - term investment was \$1.26 million \$0.95 million and \$0.98 million on June 30, 2022 September 30, 2023 and December 31, 2022.

## 22. SHARE BASED COMPENSATION

On February 1, 2023, the Company effected a 1-for-5 reverse stock split of the Company's authorized shares of common stock from 300,000,000 shares to 60,000,000 shares, accompanied by a corresponding decrease in the Company's issued and outstanding shares of common stock.

### Consulting Service Agreement

On January 25, 2020, the Company entered into a Consulting Service Agreement (the "Agreement") with Dragon Investment Holding Limited (Malta) (the "Consultant"), a company incorporated in Malta, pursuant to which Consultant will: (i) help the Company to locate new merger projects globally, develop new merger strategy and provide the Company with at least five (5) merger and acquisition targets that have synergy with the Company's business and development plans and could clearly contribute to the Company's strategic goals each year; (ii) help the Company to map out new growth strategies in addition to its current business; (iii) work with the Company to explore new lines of business and associated growth strategies; and (iv) conduct market research and evaluating variable projects and providing feasibility studies per Company's request from time to time. The term of the Agreement is three years. In consideration of the services to be provided by the Consultant to the Company, the Company agrees to pay the Consultant a three-year consulting fee totaling \$3.0 million. The Company shall issue a total of 3,750,000 restricted shares of the Company Common Stock (the "Consultant Shares") at a price of \$0.794 per share (the closing price of the Agreement date), as the payment for the abovementioned consultant fee to the Consultant. On February 23, 2020, the Company issued the Consultant Shares pursuant to the Agreement, of which 1,500,000 shares were released to the Consultant immediately, 1,125,000 and 1,125,000 shares, respectively, will be held by the Company and released to the Consultant on January 25, 2021 and January 25, 2022 if this Agreement has not been terminated and there has been no breach of the Agreement by the Consultant at such time. If the second and/or third release of the shares mentioned above does not occur, such shares shall be returned to the Company as treasury shares. The shares contemplated in the Agreement were issued pursuant to the exemption from registration provided by Regulation S promulgated under the Securities Act of 1933, as amended. For the year ended December 31, 2020, the Company recorded stock related compensation of \$1.19 million, based on the stock closing price of \$0.794 on the Agreement date, for the 1,500,000 shares which were released to the Consultant immediately upon issuance. On January 25, 2021, the Company recorded stock related compensation of \$0.89 million, based on the stock closing price of \$0.794 on the date of the Agreement, for the 1,125,000 shares which were released to the Consultant on January 25, 2021. On January 25, 2022, the Company released the final 1,125,000 shares to the Consultant and the Company has recognized stock related compensation of \$0.89 million for the 1,125,000 shares. The share numbers are pre-reverse stock split effected on February 1, 2023.

### Restricted net assets

PRC laws and regulations permit payments of dividends by the Company's subsidiaries incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries incorporated in the PRC are required to annually appropriate 10% of their net income to the statutory reserve prior to payment of any dividends, unless the reserve has reached 50% of their respective registered capital. Furthermore, registered share capital and capital reserve accounts are also restricted from distribution. As a result of the restrictions described above and elsewhere under PRC laws and regulations, the Company's subsidiaries incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company in the form of dividends. The restriction amounted to \$30.70 million (RMB212,706,932) \$26.61 million (RMB191,062,532) as of June 30, 2023 September 30, 2023. Except for the above or disclosed elsewhere, there is no other restriction on the use of profits generated by the Company's subsidiaries to satisfy any obligations of the Company.

### Payments-omnibus equity plan

On July 12, 2022 (the "Grant Date"), the Compensation Committee of the Board of Directors (the "Board") of the Company granted 3,047,000 shares of common stock of the Company, par value \$0.001 (the "Shares"), pursuant to the Company's 2020 Omnibus Equity Plan, to certain officers and employees of the Company and its subsidiaries (the "Grantees"), including: 800,000 shares to Shanchun Huang, Chief Executive Officer of the Company; 800,000 shares to Yongke Xue, President of the Company; 100,000 shares to Ming Yi, Chief Financial Officer of the Company, 547,000 shares to Peng Lei, general manager of a subsidiary of the Company, 300,000 shares to Pang Dong, general manager of a subsidiary the Company, and 500,000 shares to Kai Xu, Deputy General Manager of a subsidiary of the Company and vice president of blockchain division of the Company (collectively, the "Grants"). The Grants vested immediately on the Grant Date and each of the Grantees also entered into an Unrestricted Stock Award Agreement with the Company on July 12, 2022. As the closing price of the Company stock was \$0.42 on July 12, 2022, the Company recorded an expense of \$1.28 million in the third quarter of fiscal year 2022. As of the date of this report, the Shares have been issued to the Grantees. The share numbers are pre-reverse stock split effected on February 1, 2023.

## 23. SEGMENT REPORTING

In its operation of the business, management, including our chief operating decision maker, who is our Chief Executive Officer, reviews certain financial information, including segmented internal profit and loss statements prepared on a basis consistent with GAAP. The Company operates in three segments: supply chain financing service and trading business, asset management service and others.

The Company began to provide coal and aluminum ingots supply chain financing services during the second quarter of 2021 and the Company acquired Nice Talent and started to provide asset management services since August 2021. The Company began to provide sand and steel supply chain financing services during the first quarter of 2023.

Some of our operation might not individually meet the quantitative thresholds for determining reportable segments and we determine the reportable segments based on the discrete financial information provided to the chief operating decision maker. The chief operating decision maker evaluates the results of each segment in assessing performance and allocating resources among the segments. Since there is an overlap of services and products between different subsidiaries of the Company, the Company does not allocate operating expenses and assets based on the product segments. Therefore, operating expenses and asset information by segment are not presented. Segment profit represents the gross profit of each reportable segment.

Three months ended **June 30, 2023** **September 30, 2023**

	Asset management service	Supply chain financing/trading	Others	Total	Asset management service	Supply chain financing/trading	Others	Total
Reportable segment revenue	\$ 3,255,065	\$ 369,993	\$ 183,933	\$ 3,808,991	\$ 3,272,585	\$ 19,991,244	\$ 489,896	\$ 23,753,725
Inter-segment loss	-	-	-	-	-	-	-	-
Revenue from external customers	\$ 3,255,065	\$ 369,993	\$ 183,933	\$ 3,808,991	\$ 3,272,585	\$ 19,991,244	\$ 489,896	\$ 23,753,725
Segment gross profit	\$ 1,125,152	\$ 69,644	\$ 64,371	\$ 1,259,167	\$ 1,139,039	\$ 59,050	\$ 192,769	\$ 1,390,858

Three months ended **June 30, 2022** **September 30, 2022**

	Asset management service	Supply chain financing/trading	Others	Total	Asset management service	Supply chain financing/trading	Others	Total
Reportable segment revenue	\$ 3,696,433	\$ 3,654,981	\$ 66,863	\$ 7,418,277	\$ 4,118,065	\$ 7,839,635	\$ 1,319	\$ 11,959,019
Inter-segment loss	-	-	-	-	-	-	-	-
Revenue from external customers	\$ 3,696,433	\$ 3,654,981	\$ 66,863	\$ 7,418,277	\$ 4,118,065	\$ 7,839,635	\$ 1,319	\$ 11,959,019
Segment gross profit	\$ 1,248,314	\$ 60,255	\$ 66,851	\$ 1,375,420	\$ 1,355,246	\$ 136,561	\$ 1,319	\$ 1,493,126

Six Nine months ended **June 30, 2023** **September 30, 2023**:

	Asset management service	Supply chain financing/trading	Others	Total	Asset management service	Supply chain financing/trading	Others	Total
Reportable segment revenue	\$ 6,418,129	\$ 480,792	\$ 304,035	\$ 7,202,956	\$ 9,690,714	\$ 20,472,036	\$ 793,931	\$ 30,956,681
Inter-segment loss	-	-	-	-	-	-	-	-
Revenue from external customers	\$ 6,418,129	\$ 480,792	\$ 304,035	\$ 7,202,956	\$ 9,690,714	\$ 20,472,036	\$ 793,931	\$ 30,956,681
Segment gross profit	\$ 2,181,459	\$ 175,500	\$ 109,845	\$ 2,466,804	\$ 3,320,498	\$ 234,550	\$ 302,614	\$ 3,857,662

Six Nine months ended **June 30, 2022** September 30, 2022:

	Asset management service	Supply chain financing/trading	Others	Total	Asset management service	Supply chain financing/trading	Others	Total
Reportable segment revenue	\$ 7,152,808	\$ 3,654,982	\$ 76,852	\$ 10,884,642	\$ 11,270,874	\$ 11,494,617	\$ 78,170	\$ 22,843,661
Inter-segment loss	-	-	-	-	-	-	-	-
Revenue from external customers	\$ 7,152,808	3,654,982	76,852	10,884,642	\$ 11,270,874	11,494,617	78,170	22,843,661
Segment gross profit	\$ 3,026,301	\$ 60,256	\$ 76,840	\$ 3,163,397	\$ 4,381,536	\$ 196,817	\$ 78,170	\$ 4,656,523

Loss before Income Tax:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023		2022		2023		2022	
	\$ (287,602)	\$ 3,014	\$ (68,423)	\$ 102,131	\$ 97,398	\$ (326,287)	\$ 28,975	\$ (224,156)
Supply chain financing/trading	901,980	518,486	1,684,157	1,017,328	1,061,838	514,264	2,745,995	1,531,592
Asset management service	(417,994)	199,025	(403,423)	838,744	305,448	642,535	(97,975)	1,481,279
Others	2,670,206	2,867,641	5,083,719	5,928,358	2,365,132	4,095,074	7,448,851	10,023,432
Corporate and Unallocated	2,866,590	3,588,166	6,296,030	7,886,561	3,829,816	4,925,586	10,125,846	12,812,147
Total operating expenses and other expense	\$ (1,607,423)	\$ (2,212,746)	\$ (3,829,226)	\$ (4,723,164)	\$ (2,438,958)	\$ (3,432,460)	\$ (6,268,184)	\$ (8,155,624)
Loss before Income Tax								

Segment assets:

	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	\$ 35,803,626	\$ 26,487,090	\$ 14,991,235	\$ 26,487,090	\$ 3,697,940	\$ 3,387,506	\$ 3,706,404	\$ 3,387,506
Supply chain financing/trading	16,374,244	14,090,091	17,295,394	14,090,091	35,054,007	41,053,032	34,549,126	41,053,032
Asset management service	\$ 90,929,817	\$ 85,017,719	\$ 70,542,159	\$ 85,017,719				
Others								
Corporate and Unallocated								
Total assets								

## 24. COMMITMENTS AND CONTINGENCIES

### Legal case with FT Global Litigation

In January 2021, FT Global Capital, Inc. ("FT Global"), a former placement agent of the Company filed a lawsuit against the Company in the Superior Court of Fulton County, Georgia. FT Global served the complaint upon the Company in January 2021. In the complaint, FT Global alleges claims, most of which attempt to hold the Company liable under legal theories that relate back to an alleged breach of an exclusive placement agent agreement between FT Global and the Company in July 2020 which had a term of three months. FT Global claims that the Company failed to compensate FT Global for securities purchase transactions between December 2020 and April 2021, pursuant to the terms of the expired exclusive placement agent agreement. Allegedly, the exclusive placement agent agreement required the Company to pay FT Global for capital received during the term of the agreement and for the 12-month period following the termination of the agreement involving any investors that FT Global introduced and/or wall-crossed to the Company. However, the Company believes the securities purchase transactions at issue did not involve the one investor which FT Global introduced or wall-crossed to the Company during the term of the agreement. FT Global claims approximately \$7,000,000 in damages and attorneys' fees.

The Company timely removed the case to the United States District Court for the Northern District of Georgia (the ("Court") on February 9, 2021 based on diversity of jurisdiction. On March 9, 2021, the Company filed a motion to dismiss based on FT Global's failure to state a claim which is pending before the Court. On March 23, 2021, FT Global filed its response to the Company's motion to dismiss. FT Global argues that the Court should deny the Company's motion to dismiss. However, if the Court is inclined to grant the Company's motion to dismiss, FT Global requested that the Court permit it to file an amended complaint. On April 8, 2021, the parties filed a Joint Preliminary Report and Discovery Plan. On April 12, 2021, the Court approved the Joint Preliminary Report and Discovery Plan and issued a Scheduling Order placing this case on a six-month discovery tract. On April 30, 2021, the Company served FT Global with its Initial Disclosures. On May 6, 2021, FT Global served the Company with its Initial Disclosures. On May 17, 2021, FT Global served the Company with its First Amended Initial Disclosures. On November 10, 2021, the Court entered an Order granting the Company's motion to dismiss FT Global's fraud claim and breach of contract claim as to the disclosure of its confidential and proprietary information. The Court denied the Company's motion to dismiss FT Global's i) breach of contract claim for failure to pay FT Global pursuant to the terms of the exclusive placement agent agreement; ii) claim for breach of the covenant of good faith and fair dealing; and iii) claim for attorney's fees, and the court concluded that additional information can be obtained through discovery. The Company timely filed an answer and defenses to FT Global's complaint on November 24, 2021. On January 3, 2022, the Company propounded discovery requests upon FT Global, including interrogatories and requests for production of documents. On March 23, 2022, the Company propounded requests for admission upon FT Global. On March 24, 2022, FT Global propounded discovery requests upon the Company, including requests for production of documents and requests for admission. On April 1, 2022, FT Global served its response to the Company's requests for production of documents. On May 13, 2022, FT Global served its responses to the Company's interrogatories and requests for admissions. On May 13, 2022, FT Global produced documents in response to the Company's requests for production of documents. On June 3, 2022, the Company produced documents in response to FT Global's requests for production of documents. On August 3, 2022, the Company took the deposition of FT Global. On August 4, 2022, FT Global took the deposition of the Company. On August 3, 2022, the Court granted the parties' Consent Motion to Extend Discovery Period extending the discovery period from August 5, 2022 to September 14, 2022 and the deadline to file dispositive motions to October 12, 2022. On October 12, 2022, the Company filed a motion for summary judgment on all claims asserted by FT Global in this lawsuit. On November 2, 2022, FT Global filed its opposition to the Company's motion for summary judgment. On November 16, 2022, the Company filed its reply in support of its motion for summary judgement on all claims asserted by FT Global in this lawsuit. On August 31, 2023, the Court entered an Order denying the Company's motion for summary judgment. On September 20, 2023, the parties filed a joint motion to extend the deadline to file the consolidated pretrial order pending mediation of the case by the parties. On September 21, 2023, the Court granted the parties' joint motion to extend the deadline to file the consolidated pretrial order to October 27, 2023. On October 16, 2023, the parties mediated the case. On October 24, 2023, the parties filed another joint motion to extend the deadline to file the consolidated pretrial order. On October 27, 2023, the Court granted the parties' joint motion to extend the deadline to file the consolidated pretrial order to November 17, 2023 and set the case for trial on January 8, 2024. Subsequently, the Court approved an extension of the deadline to file a pretrial order to December 1, 2023. The Company will continue to vigorously defend the action against FT Global.

#### *Settlement with SEC*

On December 17, 2019, the Company announced that it received a subpoena from the SEC's Division of Enforcement requiring the Company to produce documents and other information and the Company has cooperated with the SEC's investigation and information request. On July 3, 2023, the SEC announced a settlement of the investigation with the Company. Without admitting or denying the SEC's findings, the Company has consented to: (i) cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act, Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1, 13a-13 and 13a-15(a) thereunder; (ii) pay a civil money penalty in the amount of \$1,650,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3) and the payment shall be made in the following installments: the first installment of \$150,000 shall be paid within ten (10) days of July 3, 2023 (the "Order Date"); the second installment of \$375,000 shall be paid within 90 days of the Order Date; the third installment of \$375,000 shall be paid within 180 days of the Order Date; the fourth installment of \$375,000 shall be made within 270 days of the Order Date; and the last installment of \$375,000 shall be made within 360 days of the Order Date; (iii) retain, within sixty (60) days of the Order Date, at Company's own expense, a qualified independent consultant (the "Consultant") not unacceptable to the SEC staff, to test, assess, and review the Company's internal accounting controls and internal control over financial reporting (collectively, "review"), and the Consultant, at the conclusion of the review, which in no event shall be no more than 180 days after the Order Date, to submit a report of the Consultant to the Company and the SEC staff and the report shall address the Consultant's findings and shall include a description of the review performed, the conclusions reached, and the Consultant's recommendations for changes or improvements; and (iv) adopt, implement, and maintain all policies, procedures and practices recommended in the report of the Consultant within 120 days of receiving the report from the Consultant. The first installment and second installments of \$150,000 has each been paid by the Company on July 7, 2023 and September 25, 2023, respectively. The Company also has engaged an independent consultant to test, assess, and review the Company's internal accounting controls and internal control over financial reporting on July 26, 2023.

## **25. RISKS AND UNCERTAINTIES**

### **Impact of COVID 19**

In December 2019, a novel strain of coronavirus was reported and has spread throughout China and other parts of the world. On March 11, 2020, the World Health Organization characterized the outbreak as a "pandemic". In early 2020, Chinese government took emergency measures to combat the spread of the virus, including quarantines, travel restrictions, and the temporary closure of office buildings and facilities in China. In response to the evolving dynamics related to the COVID-19 outbreak, the Company was following the guidelines of local authorities as it prioritizes the health and safety of its employees, contractors, suppliers and business partners. Our offices in China were closed and the employees worked from home at the end of January 2020 until late March 2020. The quarantines, travel restrictions, and the temporary closure of office buildings have materially negatively impacted our business. The outbreak has had and might continue to have disruption to our supply chain, logistics providers, customers or our marketing activities with the new variants of COVID-19, which could materially adversely impact our business and results of operations. There were outbreaks in various cities and provinces in China due to Omicron variant, such as Xi'an city, Hong Kong, Shanghai, Beijing and other cities in 2022, which have resulted quarantines, travel restrictions, and temporary closure of office buildings and facilities in these cities. In December 2022, the Chinese government eased its strict zero COVID-19 policy which resulted in a surge of new COVID-19 cases during December 2022 and January 2023, which has disrupted our business operations in China. The Company's promotion strategy of CCM Shopping Mall previously mainly relied on the training of members and distributors through meetings and conferences. Chinese government put a restriction on large gatherings in 2020 and 2021, which made the promotion strategy for our online e-commerce platforms difficult to implement and the Company experienced difficulties to subscribe new members for its online e-commerce platforms. Due to the lack of new subscribers, in June 2021, the Company suspended its cross-border e-commerce platform NONOGIRL which later being closed. Also, since the second quarter of 2021, the Company has transformed its member-based Chain Cloud Mall to a sale agent based eCAAS platform and began to provide supply chain financing services.

The global economy has also been materially negatively affected by the COVID-19 and there is continued severe uncertainty about the potential outbreak and new variants of COVID-19. The Chinese and global growth forecast is extremely uncertain, which would seriously affect our business.

While the potential economic impact brought by, and the duration of COVID-19 and its new variants may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 and its new variants could materially negatively affect our business and the value of our common stock.

Further, as we do not have access to a revolving credit facility, there can be no assurance that we would be able to secure commercial debt financing in the future in the event that we require additional capital. In the event that we do need to raise capital in the future and there is any outbreak due to new variants, outbreak-related instability in the securities markets could adversely affect our ability to raise additional capital.

Consequently, our results of operations have been materially and adversely affected by COVID-19 pandemic. Any potential further impact to our results will depend on, to a large extent, future developments and new information that may emerge regarding the new variants of COVID-19, the efficacy and distribution of COVID-19 vaccines and the actions taken by government authorities and other entities to contain the COVID-19 or treat its impact, almost all of which are beyond our control.

#### **PRC Regulations**

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations including, but not limited to, the laws and regulations governing our business and the enforcement and performance of our arrangements with customers in certain circumstances. We are considered foreign persons or foreign funded enterprises under PRC laws and, as a result, we are required to comply with PRC laws and regulations related to foreign persons and foreign funded enterprises. These laws and regulations are sometimes vague and may be subject to future changes, and their official interpretation and enforcement may involve substantial uncertainty. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our business.

#### Customer concentration risk

For **six** nine months ended **June 30, 2023** **September 30, 2023**, **one** two customer accounted for **79.62%** **60.84%** and **27.88%** of the Company's total revenues. For **six** nine months ended **June 30, 2022** **September 30, 2022**, **one** three customer accounted for **61.05%** **45.93%**, **16.47%** and **13.08%** of the Company's total revenues.

#### Vendor concentration risk

For **six** nine months ended **June 30, 2023** **September 30, 2023**, **four** one vendors accounted for **27.78%**, **12.31%**, **11.63%** and **11.48%** **75.83%** of the Company's total purchases. For **six** nine months ended **June 30, 2022** **September 30, 2022**, **four** three vendors accounted for **25.20%** **24.34%**, **24.15%**, **12.72%** **22.80%** and **10.63%** **19.43%** of the Company's total purchases.

#### 26. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date of the issuance of the condensed consolidated financial statements and **no** the following subsequent event is identified.

On November 7, 2023, Future FinTech (Hong Kong) Limited ("Buyer"), a company incorporated in Hong Kong and a wholly owned subsidiary of the Company, completed its acquisition of 100% of the issued and outstanding shares of Alpha International Securities (Hong Kong) Limited, a company incorporated in Hong Kong ("Alpha HK") and Alpha Information Service (Shenzhen) Co., Ltd., a company incorporated in China ("Alpha SZ") from Alpha Financial Limited ("Seller") for a total of HK\$15,659,949 (approximately \$2,007,686), pursuant to a Share Transfer Agreement (the "Agreement") dated February 27, 2023.

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

*This quarterly report on Form 10-Q and other reports filed by the Company from time to time with the SEC (collectively the "Filings") contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words "may", "will", "should", "would", "anticipate", "believe", "estimate", "expect", "future", "intend", "plan", or the negative of these terms and similar expressions as they relate to Company or Company's management identify forward-looking statements. Such statements reflect the current view of Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors (including the statements in the section "results of operations" below), and any businesses that Company may acquire. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those listed under the heading "Risk Factors" and those listed in our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K") and in this Form 10-Q. The following discussion should be read in conjunction with our Financial Statements and related Notes thereto included elsewhere in this report and in our 2022 Form 10-K.*

*Although the Company believes the expectations reflected in the forward-looking statements are based on reasonable assumptions, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this report, which attempts to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations, and prospects.*

### Overview of Our Business

Future FinTech is a holding company incorporated under the laws of the State of Florida. The Company historically engaged in the production and sale of fruit juice concentrates (including fruit purees and fruit juices), fruit beverages (including fruit juice beverages and fruit cider beverages) in the PRC. Due to drastically increased production costs and tightened environmental laws in China, the Company had transformed its business from fruit juice manufacturing and distribution to a supply chain financing service and trading business, asset management and cross-border money transfer services. The main business of the Company includes supply chain financing services and trading, asset management and cross-border money transfer services. The Company has also expanded into cryptocurrency mining, cryptocurrency market data and information service businesses.

In March 2022, FTFT UK Limited received approval to operate as an Electronic Money Directive ("EMD") Agent and has been registered as such with the Financial Conduct Authority (FCA), a UK regulator. This status grants FTFT UK Limited the ability to distribute or redeem e-money and provide certain financial services on behalf of an e-money institution (registration number 903050).

On April 14, 2022, the Company established Future Trading (Chengdu) Co., Ltd. Its business is bulk commodities supply chain financing services and trading.

On April 18, 2022, the Company and Future Fintech (Hong Kong) Limited, a wholly owned subsidiary of the Company jointly acquired 100% equity interest of KAZAN S.A., a company incorporated in Republic of Paraguay for \$288. The Company owns 90% and FTFT HK owns 10% of Kazan S.A., respectively. Kazan S.A. has no operation before the acquisition. The Company is developing bitcoin and other cryptocurrency mining and related service business in Paraguay. The Company has changed its name from KAZAN S.A to FTFT Paraguay S.A. on July 28, 2022.

On September 29, 2022, FTFT UK Limited completed its acquisition of 100% of the issued and outstanding shares of Khyber Money Exchange Ltd., a company incorporated in England and Wales, from Rahim Shah, a resident of United Kingdom for a total of Euros €685,000 ("Purchase Price"), pursuant to a Share Purchase Agreement (the "Agreement") dated September 1, 2021. Khyber Money Exchange Ltd. is a money transfer company with a platform for transferring money through one of its agent locations or via its online portal, mobile platform or over the phone. Khyber Money Exchange Ltd. is regulated by the UK Financial Conduct Authority (FCA) and the parties received approval by the FCA before the formal closing of the transaction. On October 11, 2022, the Company changed the name of Khyber Money Exchange Ltd. to FTFT Finance UK Limited.

On February 27, 2023, Future FinTech (Hong Kong) Limited ("Buyer"), a company incorporated in Hong Kong and a wholly owned subsidiary of Future FinTech Group Inc. (the "Company") entered into a Share Transfer Agreement (the "Agreement") with Alpha Financial Limited, a company incorporated in Hong Kong ("Seller") and sole owner and shareholder of Alpha International Securities (Hong Kong) Limited, a company incorporated in Hong Kong ("Alpha HK") and Alpha Information Service (Shenzhen) Co., Ltd., a company incorporated in China ("Alpha SZ"). Alpha HK holds Type 1 'Securities Trading', Type 2 'Futures Contract Trading' and Type 4 'Securities Consulting' financial licenses issued by the Hong Kong Securities and Futures Commission. Alpha SZ provides technical support services to Alpha HK. The share transfer transaction is subject to the approval of was approved by the Securities and Futures Commission of Hong Kong ("SFC") in August 2023 and the Company has recently received acquisition was closed on November 7, 2023. The names of the approval from SFC. The acquisition is expected two entities were subsequently changed to close in September 2023, 'FTFT International Securities and Futures Limited' and 'FTFT Information Services (Shenzhen) Co. Ltd.', respectively.

On January 26, 2023, the Company filed with the Florida Secretary of State's office Articles of Amendment (the "Amendment") to amend its Second Amended and Restated Articles of Incorporation, as amended ("Articles of Incorporation"). As a result of the Amendment, the Company has authorized and approved a 1-for-5 reverse stock split of the Company's authorized shares of common stock from 300,000,000 shares to 60,000,000 shares, accompanied by a corresponding decrease in the Company's issued and outstanding shares of common stock (the "Reverse Stock Split"). The common stock continue to be \$0.001 par value. The Company rounds up to the next full share of the Company's shares of common stock any fractional shares that result from the Reverse Stock Split and no fractional shares is issued in connection with the Reverse Stock Split and no cash or other consideration is paid in connection with any fractional shares that would otherwise have resulted from the Reverse Stock Split. No changes are being made to the number of preferred shares of the Company which remain as 10,000,000 preferred shares as authorized but not issued. The amendment to the Articles of Incorporation of the Company took effect at 1:00am Eastern Time on February 1, 2023. The Reverse Stock Split and Amendment were authorized and approved by the Board of Directors of the Company without shareholders' approval, pursuant to 607.10025 of the Florida Business Corporation Act of the State of Florida.

We are a holding company incorporated in Florida and we are not a Chinese operating company. As a holding company with no material operations of our own, we conduct a substantial majority of our operations through our subsidiaries in China, Hong Kong, Dubai and UK. We also operate a blockchain based online shopping mall through contractual arrangements with a variable interest entity (VIE) - Cloud Chain E-Commerce (Tianjin) Co., Ltd. or E-Commerce Tianjin in China which currently has very limited business and this structure involves unique risks. Our shares of common stock are shares of our Florida holding company, and we do not have any equity ownership of the VIE, instead we control and receive the economic benefits of the VIE's business operations through certain contractual arrangements, which are used to replicate foreign investment in Chinese-based companies where Chinese law prohibits direct foreign investment in value added telecom/e-commerce business. Chinese regulatory authorities could disallow the VIE structure, which could result in a material change in our operations and/or value of our shares, including that it could cause the value of shares to significantly decline or become worthless.

There are legal and operational risks associated with being based in and having a substantial majority of operations in China and Hong Kong. These risks could result in a material change in our operations and/or the value of our common stock or could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our shares to significantly decline or be worthless. Recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using variable interest entity structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement. On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly issued an announcement to crack down on illegal activities in the securities market and promote the high-quality development of the capital market, which, among other things, requires the relevant governmental authorities to strengthen cross-border oversight of law-enforcement and judicial cooperation, to enhance supervision over China-based companies listed overseas, and to establish and improve the system of extraterritorial application of the PRC securities laws. On February 15, 2022, Cybersecurity Review Measures published by Cyberspace Administration of China or the CAC, National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Public Security, Ministry of State Security, Ministry of Finance, Ministry of Commerce, People's Bank of China, State Administration of Radio and Television, China Securities Regulatory Commission ("CSRC"), State Secrecy Administration and State Cryptography Administration became effective, which provides that, Critical Information Infrastructure Operators ("CIIOS") that intend to purchase internet products and services and Online Platform Operators engaging in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office. On November 14, 2021, CAC published the Administration Measures for Cyber Data Security (Draft for Public Comments), or the "Cyber Data Security Measure (Draft)", which requires cyberspace operators with personal information of more than 1 million users who want to list abroad to file a cybersecurity review with the Office of Cybersecurity Review. On July 7, 2022, CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer, effective on September 1, 2022, which requires the data processors to apply for data cross-border security assessment coordinated by the CAC under the following circumstances: (i) any data processor transfers important data to overseas; (ii) any critical information infrastructure operator or data processor who processes personal information of over 1 million people provides personal information to overseas; (iii) any data processor who provides personal information to overseas and has already provided personal information of more than 100,000 people or sensitive personal information of more than 10,000 people to overseas since January 1st of the previous year; and (iv) other circumstances under which the data cross-border transfer security assessment is required as prescribed by the CAC. On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (the "New Overseas Listing Rules") with five interpretive guidelines, which took effect on June 30, 2023. The New Overseas Listing Rules require Chinese domestic enterprises to complete filings with relevant governmental authorities and report related information under certain circumstances, such as: a) an issuer making an application for initial public offering and listing in an overseas market; b) an issuer making an overseas securities offering after having been listed on an overseas market; c) a domestic company seeking an overseas direct or indirect listing of its assets through single or multiple acquisition(s), share swap, transfer of shares or other means. According to the Notice on Arrangements for Overseas Securities Offering and Listing by Domestic Enterprises, published by the CSRC on February 17, 2023, a company that (i) has already completed overseas listing or (ii) has already obtained the approval for the offering or listing from overseas securities regulators or exchanges but has not completed such offering or listing before effective date of the new rules and completes such offering or listing before September 30, 2023 are considered as an existing listed company and is not required to make any filing until it conducts a new offering in the future. Furthermore, upon the occurrence of any of the material events specified below after an issuer has completed its offering and listed its securities on an overseas stock exchange, the issuer shall submit a report thereof to the CSRC within 3 working days after the occurrence and public disclosure of the event: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other competent authorities; (iii) change of listing status or transfer of listing segment; or (iv) voluntary or mandatory delisting. On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection and the National Archives Administration released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Companies, or the Confidentiality and Archives Administration Provisions, which took effect on March 31, 2023. PRC domestic enterprises seeking to offer securities and list in overseas markets, either directly or indirectly, shall establish and improve the system of confidentiality and archives work, and shall complete approval and filing procedures with competent authorities, if such PRC domestic enterprises or their overseas listing entities provide or publicly disclose documents or materials involving state secrets and work secrets of state organs to relevant securities companies, securities service institutions, overseas regulatory agencies and other entities and individuals. It further stipulates that (i) providing or publicly disclosing documents and materials which may adversely affect national security or public interests, and accounting records or photocopies thereof to relevant securities companies, securities service institutions, overseas regulatory agencies and other entities and individuals shall be subject to corresponding procedures in accordance with relevant laws and regulations; and (ii) any working papers formed in the territory of the PRC by securities companies and securities service agencies that provide domestic enterprises with securities services relating to overseas securities issuance and listing shall be stored in the territory of the PRC, the outbound transfer of which shall be subject to corresponding procedures in accordance with relevant laws and regulations. As of the date of this report, these new laws and guidelines that became effective have not impacted the Company's ability to conduct its business, accept foreign investment or list on a U.S. or other foreign stock exchange except for the filing requirement under New Overseas Listing Rules; however, new rules and regulations could be adopted and there are uncertainties in the interpretation and enforcement of existing laws and guidelines, which could materially and adversely impact our business and financial outlook and may impact our ability to accept foreign investments or continue to list on a U.S. or other foreign stock exchange. The VIE and certain subsidiaries of the Company are incorporated and operating in mainland China and they have received all required permissions from Chinese authorities to operate their current business in China, including Business licenses, Bank Account Open Permits and Value Added Telecom Business License. As of the date of this report, we, our subsidiaries and the VIE in China are not subject to permission requirements from the CSRC or CAC or any other entity that is required to approve of the VIE's operations and have not received or were denied such permissions by any PRC authorities. Currently, we are required to file with CSRC for any offerings under New Overseas Listing Rules. Given the current PRC regulatory environment, it is uncertain whether we, our subsidiaries or the VIE, will be able to obtain permission from the PRC government to offer our securities to foreign investors, and even when such permission is obtained, whether it will be denied or rescinded. If we or any of our subsidiaries or the VIE do not receive or maintain such permissions or approvals, inadvertently conclude that such permissions or approvals are not required, or applicable laws, regulations, or interpretations change and we or our subsidiaries are required to obtain such permissions or approvals, it could significantly limit or completely hinder our ability to offer or continue to offer our securities to investors and cause the value of our securities to significantly decline or become worthless. If applicable laws, regulations, or interpretations change and the VIE is required to obtain permissions or approvals in the future, we may face substantial uncertainties as to whether we can obtain such permissions or approvals in a timely manner, or at all. Failure to take timely and appropriate measures to adapt to any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

Chain Cloud Mall is a unique real-name based blockchain e-commerce shopping platform that integrates blockchain, internet technology. The CCM shared shopping mall platform is designed to be a block-chain based shopping mall for merchants and goods, not the exchange of digital currencies, and it currently only accepts payment from credit cards, Alipay and WeChat. Currently, Chain Cloud Mall adopts an "Enterprise Communication as A Service" or eCAAS platform which is a part of 3.15 China Responsible Brand Program run by the Anti-Counterfeiting Committee of China Foundation of Consumer Protection (the "Anti-Counterfeiting Committee"). Anti-Counterfeiting Committee reviews and accepts the companies to join its 3.15 China Responsible Brand Program. After acceptance, these companies are authorized to use anti-counterfeiting labels on their products which have authenticated joint signatures of these companies and Anti-Counterfeiting Committee that are recorded on the blockchain quality and safety traceability system controlled by the Anti-Counterfeiting Committee. The companies will sell such products on our eCAAS platform. The companies can also use sales agents to sell their products on our eCAAS platform and parties can negotiate the commission percentages for the products sold. Any new sales agent must be recommended by existing agents and pay a one-time fee to the eCAAS platform to be admitted as the authorized agent to provide sales agent services on the platform. Due to the slowdown of economy and fierce competition in e-commerce area in China, CCM has generated nominal revenue for the Company since its transition to the agent based eCAAS platform.

The Company started its trial operation of NONOGIRL, a cross-border e-commerce platform, in March 2020 and formally launched it in July 2020. The cross-border e-commerce platform aimed to build a new s2b2c (supplier to business and consumer) outsourcing sales platform dominated by social media influencers. It was aimed at the growing female consumer market, with the ability to broadcast, short video, and all forms communication through the platform. It could also create a sales oriented sharing ecosystem with other major social media used by customers, etc. The Company's promotion strategy previously mainly relied on the training of members and distributors through meetings and conferences. Due to the outbreak of COVID-19, the Chinese government put a restriction on large gatherings. These restrictions made the promotion strategy for our online e-commerce platforms difficult to be implemented and the Company has experienced difficulties to subscribe new members for its online e-commerce platforms. Due to the lack of new subscribers, in June 2021, the Company suspended its cross-border e-commerce platform (NONOGIRL) which later being closed. Also, since the second quarter of 2021, the Company has transformed its member-based business model of Chain Cloud Mall to a sale agent based eCAAS platform and began to provide supply chain financing services and trading of coal for coal mines and power generation plants as well as aluminum ingots.

The Company currently has ten direct controlled subsidiaries: DigiPay FinTech Limited ("DigiPay"), a company incorporated under the laws of the British Virgin Islands, Future FinTech (Hong Kong) Limited, a company incorporated under the laws of Hong Kong, GlobalKey Shared Mall Limited, a company incorporated under the laws of Cayman Islands ("GlobalKey Shared Mall"), Tianjin Future Private Equity Fund Management Partnership, a Limited Partnership under the laws of China, FTFT UK Limited, a company incorporated under the laws of United Kingdom, Future Fintech Digital Capital Management, LLC, a company incorporated under the laws of Connecticut, Future Fintech Digital Number One GP, LLC, a company incorporated under the laws of Connecticut, Future FinTech Labs Inc., a company incorporated under the laws of New York, FTFT SuperComputing Inc. a company incorporated under the laws of Ohio and FTFT Paraguay S.A., a company incorporated under the laws of Paraguay.

## CCM Shopping Mall

Due to the lack of new member subscriptions caused by restrictions on our promotion strategy for the control of spread of COVID-19, we have transformed the CCM shopping mall from a member based platform to a sale agent based eCAAS platform since the second quarter of 2021. The eCAAS platform is entrusted by the Anti-Counterfeiting Committee to run its Responsible Brand Program.

Anti-Counterfeiting Committee will review and accept the companies to join its Responsible Brand Program. After acceptance, these companies are authorized to use 315 anti-counterfeiting labels on their products and sell them on our eCAAS platform. The companies can also use sales agents to sell their products on our eCAAS platform and parties can negotiate the commission percentages for the products sold. Any new sales agent must be recommended by existing agents and pay a one-time fee to the eCAAS platform to be admitted as the authorized agent to provide sales agent services on the platform. Due to the slowdown of economy and fierce competition in e-commerce area in China, CCM has generated nominal revenue for the Company since its transition to the agent based eCAAS platform.

## Supply Chain Financing Service and Trading

Since the second quarter of 2021, we started coal supply chain financing service and trading business. Since the third quarter of 2021, we started aluminum ingots supply chain financing service and trading business. Since the first quarter of 2023, we started sand and steel supply chain financing service and trading business.

Our supply chain finance business mainly serves the receivables and payables of industrial customers, obtains the creditor's rights or commodity goods rights of large state-owned enterprises through trade execution, provides customers with working capital, accelerates capital turnover, and then expands the business scale and improves the industrial value.

Through our supply chain service ability and customer resources, we can tap into low-risk assets, flexibly carry out financial services around the actual financial needs of certain industries, and reduce the overall risk of the business by using the control of business flow, goods logistics and capital flow in the process of commodity circulation.

We focus on bulk coal, aluminum ingots, sand and steel and take large state-owned or listed companies as the core service targets; We use our own funds as the operation basis, actively uses a variety of channels and products for financing, such as banks, commercial factoring companies, accounts receivable, asset-backed securities, and other innovative financing methods to obtain sufficient funds.

We sign purchase and sale agreements with suppliers and buyers. The suppliers are responsible for the supply and transportation of the commodities to the end users' designated freight yard or transfer the title of them to us in certain warehouses. We are considered as trading agent if we don't take control over of the goods and the revenues will be recognized as agent service fees instead of entire purchase price of the goods. We select the customers and suppliers that have good credit and reputation.

## Asset Management Service.

NTAM engages assets management and advisory services. NTAM's main revenue is generated from providing professional advices to customers and management fees for managing the investment of the clients. NTAM is licensed under the Securities and Futures Commission of Hong Kong (SFC) for carrying out regulated activities in "Advising on Securities" and "Asset Management". NTAM offers diversified asset management portfolio for professional investors. Assets of NTAM's clients are held in banks, where clients gave the banks their authorization allowing NTAM to place trading instructions on behalf of the clients in order to manage the clients' assets.

NTAM mainly engages in following asset management services for its clients:

(1) Equity Investment

NTAM manages clients' investment portfolio in stocks of the companies listed on the international markets with strong liquidity. At the same time, it selects companies that have unique or differentiated businesses, realizing above average profit growth.

(2) Debt investment

When NTAM manages clients' investment portfolio in bonds that are denominated in major international currencies such as US dollar, euro and sterling, the issuer of debts shall have good credit rating and asset liability ratio. Through active management, NTAM focus on bonds with higher yield to maturity among bonds with the same maturity and credit rating.

(3) Precious metals and currencies investment

NTAM also manages clients' investment portfolio in major international currencies and precious metals, including US dollar, euro, British pound, Japanese yen, Australian dollar and offshore Chinese yuan. Precious metals include gold, platinum and silver. With research on the fundamentals of market supply and demand to predict the trend of commodity prices, NTAM endeavors to improve the rate of return for clients through dual currency investment, options and structured products.

(4) Derivative Investment

NTAM also manages clients' investment portfolio in financial derivatives in different asset classes, such as options and structured products.

(5) External Asset Management Services (EAM)

This business takes customer demand as the service purpose, cooperates with several private banks which provide asset custody services, and innovatively introduces the function of investment bank to provide exclusive private solutions for our clients.

NTAM's main revenue is generated from providing professional advices to clients and management fees for managing the investment of the clients. As of **June 30, 2023** **September 30, 2023**, NTAM has approximately US\$242 million assets under its management.

Money Transfer Business

FTFT Finance UK Limited ("FTFT Finance") formerly known as Khyber Money Exchange Ltd. was acquired by FTFT UK Limited in September 2022. It is regulated by UK Financial Conduct Authority ("FCA") for its cross-border money transfer systems and service. FTFT Finance was incorporated in 2009 and is a pioneer in the UK for money remittance services. FTFT Finance provides money transfer services through its platform to transfer money around the world via one of its agent locations or its online portal, mobile platform, or over the phone. FTFT Finance is headquartered in the UK and it has a trade name of FTFT Pay. FTFT Finance's plan is to develop products and services across different regions of the world and become a global name in money remittance services.

FTFT Finance is a financial platform that enables its customers to send their hard-earned money to their countries of origin, or any other countries of their liking, with ease and at a reasonable cost, transparent exchange rate and without any hidden charges. We believe that it is our understanding of our customers and their diverse backgrounds that has helped FTFT Finance to become a credible and trustworthy money remittance business. The FTFT Pay platform and system support direct connections to over 130 countries and their local banks, targeting customers with transfer destinations based in prominent countries across the Middle East and Southeast Asia.

Remittance service is a highly saturated market in the United Kingdom. There are many companies that offer remittance services, however, FTFT Finance only sees Ace Money Transfer, Wise (formerly known as Transfer Wise), Remitly and Remit World as its main competitors.

FTFT Finance has an edge over companies like wise in many different ways, for example, FTFT Finance offers competitive rates for its services and does not charge customer fees for remittance to Pakistan as it receives its rebate from local banks. This approach provides us an advantage over our competitors.

Expats living in the United Kingdom often send money to their relatives either to support them, for emergency uses or weddings, etc. The UK has a large migrant population of Indians, Pakistanis and Bangladeshis.

FTFT Finance has been in money remittance business since 2009 and has over 500,000 customers. FTFT Finance advertises through Instagram, Twitter, Facebook and LinkedIn in order to reach out to new customers. FTFT Finance implemented email marketing, in which they email customers daily to keep them updated on their account, transactions as well as marketing and promotions.

#### Recent Developments Related to the COVID-19 Outbreak

In December 2019, a novel strain of coronavirus was reported and has spread throughout China and other parts of the world. On March 11, 2020, the World Health Organization characterized the outbreak as a "pandemic". In early 2020, Chinese government took emergency measures to combat the spread of the virus, including quarantines, travel restrictions, and the temporary closure of office buildings and facilities in China. In response to the evolving dynamics related to the COVID-19 outbreak, the Company followed the guidelines of local authorities as it prioritizes the health and safety of its employees, contractors, suppliers and business partners. Our offices in China were closed and the employees worked from home at the end of January 2020 until late March 2020. The quarantines, travel restrictions, and the temporary closure of office buildings have materially negatively impacted our business. The outbreak has had and continues to have disruption to our supply chain, logistics providers, customers or our marketing activities with the new variants of COVID-19, which could materially adversely impact our business and results of operations, especially to our supply chain financing and trading business during the first quarter of 2022. There were outbreaks in various cities and provinces in China due to Omicron variant in many cities, such as Xi'an city, Hong Kong, Shanghai and Beijing in 2022, which have resulted quarantines, travel restrictions, and temporary closure of office buildings and facilities in these cities. In December 2022, the Chinese government eased its strict zero COVID-19 policy which resulted in a surge of new COVID-19 cases during December 2022 and January 2023, which has disrupted our business operations in China. The Company's promotion strategy of CCM Shopping Mall previously mainly relied on the training of members and distributors through meetings and conferences. Chinese government put a restriction on large gatherings in 2020 and 2021, which made the promotion strategy for our online e-commerce platforms difficult to implement and the Company experienced difficulties to subscribe new members for its online e-commerce platforms. Due to the lack of new subscribers, in June 2021, the Company suspended its cross-border e-commerce platform NONOGIRL which later being closed. Also, since the second quarter of 2021, the Company has transformed its member-based Chain Cloud Mall to a sale agent based eCAAS platform and began to provide supply chain financing services. Due to the slowdown of economy and fierce competition in e-commerce area in China, CCM has generated nominal revenue for the Company since its transition to the agent based eCAAS platform.

The global economy has also been materially negatively affected by the COVID-19 and there is continued severe uncertainty about the potential outbreak and new variants of COVID-19. The Chinese and global growth forecast is extremely uncertain, which would seriously affect our business.

While the potential economic impact brought by, and the duration of COVID-19 and its new variants may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 and its new variants could materially negatively affect our business and the value of our common stock.

Further, as we do not have access to a revolving credit facility, there can be no assurance that we would be able to secure commercial debt financing in the future in the event that we require additional capital. In the event that we do need to raise capital in the future and there is any outbreak due to new variants, outbreak-related instability in the securities markets could adversely affect our ability to raise additional capital.

Consequently, our results of operations have been materially and adversely affected by COVID-19 pandemic. Any potential further impact to our results will depend on, to a large extent, future developments and new information that may emerge regarding new variants of COVID-19, the efficacy and distribution of COVID-19 vaccines and the actions taken by government authorities and other entities to contain the COVID-19 or treat its impact, almost all of which are beyond our control.

#### Results of Operations

##### Comparison of Three Months ended June 30, 2023 September 30, 2023 and 2022:

###### **Revenue**

The following table presents our consolidated revenues for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively:

	Three months ended June 30,		Change		Three months ended September 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
Asset management service	3,255,065	3,654,981	(399,916)	(10.94)%	3,272,585	7,839,635	(4,567,050)	(58.26)%
Supply Chain Financing/Trading	369,993	3,696,433	(3,326,440)	(89.99)%	19,991,244	4,118,065	15,873,179	385.45%
Others	183,933	66,863	117,070	175.09%	489,896	1,319	488,577	37041.47%
Total	\$ 3,808,991	\$ 7,418,277	\$ (3,609,286)	(48.65)%	\$ 23,753,725	\$ 11,959,019	\$ 11,794,706	98.63%

Revenue for the three months ended June 30, 2023 September 30, 2023 was \$3.8 million \$23.75 million, an decrease increase of \$3.6 million \$11.79 million, or 48.65% 98.63%, from \$7.4 million \$11.96 million for the same period of the last fiscal year. The decrease increase in revenue for the three months ended June 30, 2023 September 30, 2023 was primarily due to significant decrease increase in revenue from supply chain financing/trading business from \$3.7 million \$4.12 million for the three months ended June 30, 2022 September 30, 2022 to \$369,993 \$19.99 million for the three months ended June 30, 2023 September 30, 2023 as the Company had more trading agent type of business for a fee instead of taking control over increased the goods which generates more overall revenue for purchase price of the entire goods. from sand and steel supply chain financing.

Asset management service decreased by \$0.40 million \$4.57 million from \$3.66 million \$7.84 million during the three months ended June 30, 2022 September 30, 2022 to \$3.26 million \$3.27 million in the same period of 2023, which mainly due to that clients are cautious on investing stock and other investments during current market condition in the second third quarter 2023, which has reduced our revenue in asset management fees.

Others are mainly from CCM platform non-performing debt recovery consulting and service fees. Others increased by \$0.49 million from \$1,319 during the three months ended September 30, 2022 to \$0.48 million in the same period of 2023, which mainly due to its new business of non-performing debt recovery consulting and service fees started during the third quarter of 2023.

###### **Gross Profit and promotion income Margin**

The following table presents the consolidated gross profit of each of our main products and services and the consolidated gross profit margin, which is gross profit as a percentage of the related revenues, for the stores three months ended September 30, 2023 and 2022, respectively:

	Three months ended September 30,			
	2023		2022	
	Gross profit	Gross margin	Gross profit	Gross margin
Asset management service	1,139,039	34.81 %	1,355,246	32.91 %
Supply Chain Financing/Trading	59,050	0.03 %	136,561	1.74 %
Others	192,769	39.35 %	1,319	100%
Total	\$ 1,390,858	5.86 %	\$ 1,493,126	12.49 %

Gross profits for the three months ended September 30, 2023 was \$1.39 million, an decrease from \$1.49 million for the same period of the last fiscal year. Overall gross margin as a percentage of revenue was 5.86% for the three months ended September 30, 2023, a decrease of 6.63% from 12.49% for the same period of last fiscal year, mainly due to lower profit margin from supply chain financing/trading business for the three months ended September 30, 2023, comparing to the same period of 2022, which was mainly due to increased supply chain financing/trading cost.

#### **Operating Expenses**

The following table presents our consolidated operating expenses and operating expenses as a percentage of revenue for the three months ended September 30, 2023 and 2022, respectively: (in thousands)

	September 30, 2023		September 30, 2022	
	Amount	% of revenue	Amount	% of revenue
General and administrative	\$ 3,830	16.12 %	\$ 3,559	29.76 %
Research and Development expenses	17	0.07 %	791	6.61 %
Stock compensation expense	-	-	1,280	10.70 %
Selling expenses	109	0.46 %	274	2.29 %
Bad debt provision	18	0.08 %	-	- %
Impairment Loss	4	0.02 %	229	1.91 %
Total operating expenses	\$ 3,978	16.75 %	\$ 6,132	51.28 %

Total operating expenses for the three months ended September 30, 2023 was \$3.98 million, a decrease of \$2.16 million from \$6.13 million for the same period of the last fiscal year. General and administrative expenses increased by \$270,902, or 7.61%, from \$3.56 million to \$3.83 million for the three months ended September 30, 2023, compared to the same period of last fiscal year, mainly due to increased professional service fees for acquisition projects and certain training and consulting fees for the acquired and newly established companies during the three months ended September 30, 2023.

Stock compensation expense was \$1.28 million during the three months ended September 30, 2022, as the Compensation Committee of the Board of Directors (the "Board") of the Company granted certain shares of common stock of the Company to certain officers and employees in July 2022 and we did not have such expense for three months ended September 30, 2023.

Selling expenses decreased by \$0.17 million during the three months ended September 30, 2023, compared to the same period of last fiscal year. The decrease in selling expenses was mainly due to decreased salaries and advertising fees.

The Company recorded \$0.04 million and \$0.23 million of impairment loss in three months ended September 30, 2023 and 2022 relating to short term investment which mainly due to Future Private Equity Fund Management (Hainan) Co., Ltd. invested \$1.85 million (RMB13,000,000) to entrust Shanghai Yuli Enterprise Management Consulting Firm to invest in various types of investment portfolios. The impairment loss relating to short term investment is due to that overall economic environment has worsened in China with Covid-19 outbreak and related lockdown in various cities in China in 2022, Ukraine war, inflation, high interest rate, looming recession worldwide. According to the market value, the Company's balance of the short term investment was \$0.95 million as of September 30, 2023 and \$0.99 million as of December 31, 2022.

The Company recorded \$0.17 million of research and development expenses during the three months ended September 30, 2023. Research and development expenses include salaries, contracted services, as well as the related expenses of our research and product development team, and expenditures relating to our efforts to develop, design new products and services, and enhance our existing products and services to our clients. Research and development expenses decreased by \$0.77 million during the three months ended September 30, 2023, compared to the same period of last fiscal year. The decrease in research and development expenses was mainly due to decreased salaries.

Provision of doubtful debt recorded \$0.02 million during the three months ended September 30, 2023 which we did not have for the same period of 2022.

#### **Other Income (Expense), Net**

Other expenses, net, decreased by \$1.05 million to negative \$0.06 million for the three months ended September 30, 2023 from positive \$1.21 million in the same period of the last fiscal year, primarily due to a large change in foreign exchange gain.

**Income Tax**

Tax provision decreased by \$0.19 million from \$0.01 million for the three months ended September 30, 2023, comparing to \$0.20 million for the same period of 2022, primarily due to decreased revenue from asset management service.

**Non-controlling Interests**

As of September 30, 2023, (i) Nature Worldwide Resources Ltd. holds 40% interest in DCON DigiPay Limited ("DCON Digipay"); (ii) each of Bin Wu and Lixiong Huang holds 25% and 20% interest in TFT Capital Investments L.L.C., respectively; (iii) Aspenwood Capital Partner Limited holds 5%, Cheung Hiu Tung holds 2.22% and Choi Ts Leung holds 2.78% of equity interest of NATM, respectively and (iv) Yaohua Dai holds 20% equity interest of Future Fintech Digital Capital.

**Loss from Continuing Operations**

Loss from Continuing Operations decreased by \$1.18 million from \$3.63 million for the three months ended September 30, 2022 to \$2.45 million for the same period of 2023 mainly due to the decrease in operating expenses, as discussed above.

Comparison of Nine Months Ended September 30, 2023 and 2022

**Revenue**

The following table presents our consolidated revenues for the nine months ended September 30, 2023 and 2022, respectively:

	Nine months ended September 30,		Change	
	2023	2022	Amount	%
Asset management service	9,690,714	11,270,874	(1,580,160)	(14.02)%
Supply Chain Financing/Trading	20,472,036	11,494,617	8,977,419	78.10%
Others	793,931	78,170	715,761	915.65%
Total	\$ 30,956,681	\$ 22,843,661	\$ 8,113,020	35.52%

Revenue for the nine months ended September 30, 2023 was \$30.96 million, an increase of \$8.11 million, or 35.52%, from \$22.84 million for the same period of the last fiscal year. The increase in revenue for the nine months ended September 30, 2023 was primarily due to significant increase in revenue from sand and steel supply chain financing and trading business in 2023.

Asset management service decreased by \$1.58 million from \$11.27 million during the nine months ended September 30, 2022 to \$9.69 million in the same period of 2023, which mainly due to that clients are cautious on investing stock and other investments during current market condition in 2023, which has reduced our revenue in asset management fees.

Others are mainly from non-performing debt recovery consulting and service fees. Others increased by \$0.72 million from \$0.08 million during the platform, etc. nine months ended September 30, 2022 to \$0.79 million in the same period of 2023, which mainly due to its new business of non-performing asset recovery service started during the third quarter of 2023.

### Gross Profit and Margin

The following table presents the consolidated gross profit of each of our main products and services and the consolidated gross profit margin, which is gross profit as a percentage of the related revenues, for the three nine months ended June 30, 2023 September 30, 2023 and 2022, respectively:

	Three months ended June 30,				Nine months ended September 30,			
	2023		2022		2023		2022	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
Asset management service	1,125,152	34.57%	1,248,314	33.77%	3,320,498	34.26%	4,381,536	38.87%
Supply Chain Financing/Trading	69,644	18.82%	60,255	1.65%	234,550	1.15%	196,817	1.71%
Others	64,371	35.00%	66,851	99.98%	302,614	38.12%	78,170	100%
Total	\$ 1,259,167	33.06%	\$ 1,375,420	18.54%	\$ 3,857,662	12.46%	\$ 4,656,523	20.38%

Gross profits for the three nine months ended June 30, 2023 September 30, 2023 was \$1.26 million \$3.86 million, an decrease from \$1.38 million \$0.80 million form \$4.66 million for the same period of the last fiscal year. Overall gross margin as a percentage of revenue was 33.06% 12.46% for the three nine months ended June 30, 2023 September 30, 2023, an increase a decrease of 14.52% 7.92% from 18.54% 20.38% for the same period of last fiscal year, mainly due to higher lower profit margin from supply chain financing/trading business for the three nine months ended June 30, 2023 September 30, 2023, comparing to the same period of 2022, which was mainly due to decreased increased supply chain financing/trading cost as we had more revenue generated from trading agent fees instead of taking control of goods for resale, cost.

### Operating Expenses

The following table presents our consolidated operating expenses and operating expenses as a percentage of revenue for the three nine months ended June 30, 2023 September 30, 2023 and 2022, respectively: (in thousands)

	June 30, 2023				June 30, 2022				Nine months ended		Nine months ended	
	June 30, 2023		June 30, 2022		September 30, 2023		September 30, 2022		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
General and administrative	\$ 2,546	66.84%	\$ 2,650	35.72%	\$ 9,854	31.83%	\$ 9,619	42.11%				
Research and Development expenses	116	3.05%	770	10.38%	342	1.10%	1,994	8.73%				
Stock compensation expense					-	-	1,280	5.60				
Selling expenses	124	3.26%	349	4.70%	365	1.18%	994	4.35%				
Bad debt provision	(1,187)	(31.16)%	-	-%	(1,153)	(3.72)%	2	0.01%				
Impairment Loss	-	-	449	6.05%	4	0.01%	926	4.05%				
Total operating expenses	\$ 1,599	41.98%	\$ 4,218	56.86%	\$ 9,412	30.40%	\$ 14,815	64.85%				

Total operating expenses for the three nine months ended June 30, 2023 September 30, 2023 was \$1.60 million \$9.41 million, an decrease of \$2.62 million \$5.40 million from \$4.22 million \$14.82 million for the same period of the last fiscal year.

General and administrative expenses decreased increased by \$104,024 \$0.23 million, or 3.93% 2.44%, from \$2.65 million to \$2.55 million \$9.85 million for the three nine months ended June 30, 2023 September 30, 2023, compared to \$9.62 million for the same period of last fiscal year, mainly due to decrease increased professional service fees for acquisition projects and certain training and consulting fees for the acquired and newly established companies during the nine months ended September 30, 2023.

Stock compensation expense was \$1.28 million during the nine months ended September 30, 2022, as the Compensation Committee of the Board of Directors (the "Board") of the Company granted certain shares of common stock of the Company to certain officers and employees in salaries during the July 2022 and we did not have such expense for three months ended June 30, 2023 September 30, 2023.

Selling expenses decreased by \$0.23 million \$0.63 million during the three nine months ended June 30, 2023 September 30, 2023, compared to the same period of last fiscal year. The decrease in selling expenses was mainly due to decreased salaries and advertising fees.

The Company recorded \$0.45 million \$3,872 and \$0.93 million of impairment loss in three nine months ended June 30, 2022 September 30, 2023 and 2022 relating to short term investment which mainly due to Future Private Equity Fund Management (Hainan) Co., Ltd. invested \$1.94 million (RMB13,000,000) to entrust Shanghai Yuli Enterprise Management Consulting Firm to invest in various types of investment portfolios. The impairment loss relating to short term investment is due to that overall economic environment has worsened in China with Covid-19 outbreak and related lockdown in various cities in China in 2022, Ukraine war, inflation, looming recession worldwide. According to the market value, the Company's balance of the short term investment was \$1.06 million as of June 30, 2023 and \$0.99 million as of December 31, 2022.

The Company recorded \$0.12 million of research and development expenses during the three months ended June 30, 2023. Research and development expenses include salaries, contracted services, as well as the related expenses of our research and product development team, and expenditures relating to our efforts to develop, design new products and services, and enhance our existing products and services to our clients. Research and development expenses decreased by \$0.63 million during the three months ended June 30, 2023, compared to the same period of last fiscal year. The decrease in research and development expenses was mainly due to decreased salaries.

Write back of provision of doubtful debt recorded \$1.19 million during the three months ended June 30, 2023, it was due to bad debt recovery recognized in previous years and the Company did not have same recovery for the same period in 2022.

**Other Income (Expense), Net**

Other expenses, net, increased by \$1.90 million to negative \$1.27 million for the three months ended June 30, 2023 from positive \$0.63 million in the same period of the last fiscal year, primarily due to the payment of a civil penalty in the aggregate amount of \$1,650,000 was approved by the Board during the three months ended June 30, 2023 for the settlement with the Securities and Exchange Commission.

**Income Tax**

Tax provision decreased by \$0.09 million for the three months ended June 30, 2023, comparing to the same period of 2022, primarily due to decreased revenue.

**Non-controlling Interests**

As of June 30, 2023, (i) Nature Worldwide Resources Ltd. holds 40% interest in DCON DigiPay Limited ("DCON DigiPay"); (ii) each of Bin Wu and Lixiong Huang holds 25% and 20% interest in FTFT Capital Investments L.L.C., respectively; (iii) Aspenwood Capital Partner Limited holds 5%, Cheung Hiu Tung holds 2.22% and Choi Tsz Leung holds 2.78% of equity interest of NATM and (iv) Yaohua Dai holds 20% equity interest of Future Fintech Digital Capital.

**Loss from Continuing Operations**

Loss from Continuing Operations decreased by \$0.69 million from \$2.34 million for the three months ended June 30, 2022 to \$1.64 million for the same period of 2023 mainly due to the decrease in operating expenses, as discussed above.

**Gain on disposal of discontinued operations**

Gain on disposal of discontinued operation was \$0.11 million for the three months ended June 30, 2023, which was related to the dissolution and deregistration of QR (HK) Limited on June 16, 2023.

**Comparison of Six Months Ended June 30, 2023 and 2022****Revenue**

The following table presents our consolidated revenues for the six months ended June 30, 2023 and 2022, respectively:

	Six months ended June 30,		Change	
	2023	2022	Amount	%
Asset management service	6,418,129	7,152,808	(734,679)	(10.27)%
Supply Chain Financing/Trading	480,792	3,654,982	(3,174,190)	(86.85)%
Others	304,035	76,852	227,183	295.61%
<b>Total</b>	<b>\$ 7,202,956</b>	<b>\$ 10,884,642</b>	<b>\$ (3,681,686)</b>	<b>(33.82)%</b>

Revenue for the six months ended June 30, 2023 was \$7.2 million, an decrease of \$3.7 million, or 33.82%, from \$10.89 million for the same period of the last fiscal year. The decrease in revenue for the six months ended June 30, 2023 was primarily due to significant decrease in revenue from supply chain financing/trading business from \$3.7 million for the six months ended June 30, 2022 to \$480,792 for the six months ended June 30, 2023 as the Company had more trading agent type of business for a fee instead of taking control over the goods which generates more overall revenue for purchase price of the entire goods.

Asset management service decreased by \$0.73 million from \$7.15 million during the six months ended June 30, 2022 to \$6.42 million in the same period of 2023, which mainly due to that clients are cautious on investing stock and other investments during current market condition in 2023, which has reduced our revenue in asset management fees. Others are mainly from CCM platform service fees, promotion income for the stores on the platform and others.

### Gross Profit and Margin

The following table presents the consolidated gross profit of each of our main products and services and the consolidated gross profit margin, which is gross profit as a percentage of the related revenues, for the six months ended June 30, 2023 and 2022, respectively:

	Six months ended June 30,			
	2023		2022	
	Gross profit	Gross margin	Gross profit	Gross margin
Asset management service	2,181,459	33.99%	3,026,301	42.31%
Supply Chain Financing/Trading	175,500	36.5%	60,256	1.65%
Others	109,845	36.13%	76,840	99.98%
Total	\$ 2,466,804	34.25%	\$ 3,163,397	29.06%

Gross profits for the six months ended June 30, 2023 was \$2.47 million, an decrease from \$3.16 million for the same period of the last fiscal year. Overall gross margin as a percentage of revenue was 34.25% for the six months ended June 30, 2023, an increase of 5.19% from 29.06% for the same period of last fiscal year, mainly due to higher profit margin from supply chain financing/trading business for the six months ended June 30, 2023, comparing to the same period of 2022, which was mainly due to decreased supply chain financing/trading cost as we had more revenue generated from trading agent fees instead of taking control of goods for resale.

### Operating Expenses

The following table presents our consolidated operating expenses and operating expenses as a percentage of revenue for the six months ended June 30, 2023 and 2022, respectively: (in thousands)

	Six months ended		Six months ended	
	June 30, 2023		June 30, 2022	
	Amount	% of revenue	Amount	% of revenue
General and administrative	\$ 6,024	83.63%	\$ 6,060	55.67%
Research and Development expenses	325	4.51%	1,203	11.05%
Selling expenses	256	3.55%	720	6.61%
Bad debt provision	(1,171)	(16.26)%	2	0.02%
Impairment Loss	-	-	697	6.40%
Total operating expenses	\$ 5,435	75.45%	\$ 8,682	79.76%

Total operating expenses for the six months ended June 30, 2023 was \$5.44 million, an decrease of \$3.24 million from \$8.68 million for the same period of the last fiscal year. General and administrative expenses decreased by \$36,034, or 0.59%, from \$6.06 million to \$6.02 million for the six months ended June 30, 2023, compared to the same period of last fiscal year, mainly due to decrease in salaries during the six months ended June 30, 2023.

Selling expenses decreased by \$0.88 million during the six months ended June 30, 2023, compared to the same period of last fiscal year. The decrease in selling expenses was mainly due to decreased salaries and advertising fees.

The Company recorded \$0.70 million of impairment loss in six months ended June 30, 2022 relating to short term investment which mainly due to Future Private Equity Fund Management (Hainan) Co., Ltd. invested \$1.94 million \$1.85 million (RMB13,000,000) to entrust Shanghai Yuli Enterprise Management Consulting Firm to invest in various types of investment portfolios. The impairment loss relating to the short term investment is due to that overall economic environment has worsened in China with Covid-19 outbreak and related lockdown in various cities in China in 2022, Ukraine war, inflation, high interest rate, looming recession worldwide. According to the market value, the Company's balance of the short term investment was \$1.06 million \$0.95 million as of June 30, 2023 September 30, 2023 and \$0.99 million as of December 31, 2022.

The Company recorded \$0.33 million \$0.34 million of research and development expenses during the six nine months ended June 30, 2023 September 30, 2023. Research and development expenses include salaries, contracted services, as well as the related expenses of our research and product development team, and expenditures relating to our efforts to develop, design new products and services, and enhance our existing products and services to our clients. Research and development expenses decreased by \$0.88 million \$1.65 million during the six nine months ended June 30, 2023 September 30, 2023, compared to the same period of last fiscal year. The decrease in research and development expenses was mainly due to decreased salaries.

Write back of provision of doubtful debt recorded \$1.17 million \$1.15 million during the six nine months ended June 30, 2023 September 30, 2023, it was due to bad debt recovery recognized in previous years and the Company did not have same recovery for the same period in 2022.

#### **Other Income (Expense), Net**

Other expenses, net increased by **\$1.66 million** **\$2.72 million** to negative **\$0.86 million** **\$0.71 million** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** from positive **\$0.80 million** **\$2.00 million** in the same period of the last fiscal year, primarily due to the payment of a civil penalty for the aggregate amount of \$1,650,000 **that** was approved by the Board during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** for the settlement with the Securities and Exchange Commission.

## Income Tax

Tax provision decreased by ~~\$0.25 million~~ \$0.44 million for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023, from ~~\$0.07 million~~ to \$0.51 million comparing to the same period of 2022, primarily due to decreased ~~revenue~~, revenue from asset management service.

## Non-controlling Interests

As of ~~June 30, 2023~~ September 30, 2023, (i) Nature Worldwide Resources Ltd. holds 40% interest in DCON DigiPay Limited ("DCON Digipay"); (ii) each of Bin Wu and Lixiong Huang holds 25% and 20% interest in FFT Capital Investments L.L.C., respectively; (iii) Aspenwood Capital Partner Limited holds 5%, Cheung Hiu Tung holds 2.22% and Choi Tsz Leung holds 2.78% of equity interest of ~~NATM~~; NATM, respectively; and (iv) Yaohua Dai holds 20% equity interest of Future Fintech Digital Capital.

## Loss from Continuing Operations

Loss from Continuing Operations decreased by ~~\$1.14 million~~ \$2.33 million from ~~\$5.03 million~~ \$8.67 million for the ~~six~~ nine months ended ~~June 30, 2022~~ September 30, 2022 to ~~\$3.89 million~~ \$6.34 million for the same period of 2023 mainly due to the decrease in operating expenses, as discussed above.

## Gain on disposal of discontinued operations

Gain on disposal of discontinued operation was \$0.11 million for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023, which was related to the dissolution and deregistration of QR (HK) (HK) Limited on June 16, 2023.

## Loss per Share

Basic and diluted loss per share from continuing operations were ~~\$0.26~~ \$0.42 and ~~\$0.26~~ \$0.42 for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023, respectively, as compared to a loss of ~~\$0.35~~ \$0.57 and ~~\$0.34~~ \$0.55 for the same periods of 2022, respectively. Basic and diluted income per share attributable to discontinued operations was \$0.01 and \$0.01 for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023, respectively. Basic and diluted earnings per share attributable to discontinued operations was nil for the ~~six~~ nine months ended ~~June 30, 2022~~ September 30, 2022, respectively.

## Liquidity and Capital Resources

As of ~~June 30, 2023~~ September 30, 2023, we had cash and restricted cash of ~~\$36.79 million~~ \$33.40 million, as compared to \$29.74 million as of December 31, 2022. The increase in cash, cash equivalents and restricted cash was mainly due to decreased accounts receivable and loan receivable ~~from~~ for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023.

Our working capital has historically been generated from our operating cash flows, advances from our customers and loans from bank facilities. Our working capital was ~~\$41.79 million~~ \$39.14 million as of ~~June 30, 2023~~ September 30, 2023, a decrease of ~~\$4.69 million~~ \$7.34 million from working capital of \$46.48 million as of December 31, 2022, mainly due to the decrease in current assets and an increase in current liabilities.

Net cash used in operating activities increased by ~~\$0.88 million~~ \$4.64 million to ~~\$6.01 million~~ \$6.42 million for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 from ~~\$5.13 million~~ \$1.78 million for the same period of the last fiscal year. The increase in net cash used ~~by~~ in operating activities was primarily due to increase in advances to suppliers and other current assets ~~from~~ customers.

Net cash provided by investing activities increased ~~\$20.62 million~~ \$34.08 million to ~~\$14.64 million~~ \$13.64 million for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 from ~~(\$5.98)~~ (\$20.44) million for the same period of the last fiscal year. It was due to increase in repayment from loan receivable and decrease in payment for loan receivable.

Net cash ~~provided~~ used in financing activities for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 was ~~nil~~, \$2.91 million, representing a ~~decrease~~ an increase of ~~\$4.14 million~~ \$5.23 million, as compared to cash provided by financing activities of ~~\$4.14 million~~ positive \$2.11 million during the ~~six~~ nine months ended ~~June 30, 2022~~ September 30, 2022. The ~~decrease~~ increase in cash provided by used in financing activities was mainly due to proceeds from loan payable to the ~~Company~~ Company and increase in notes payable.

## Off-balance sheet arrangements

As of ~~June 30, 2023~~ September 30, 2023, we did not have any off-balance sheet arrangements.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

### Item 4. Controls and Procedures

#### Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, our principal executive officer and principal financial officer, respectively, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of **June 30, 2023** **September 30, 2023**, our disclosure controls and procedures were not effective due to a material weakness in our internal control over financial reporting. Specifically, we currently lack sufficient accounting personnel with the appropriate level of knowledge, experience and training in U.S. GAAP and SEC reporting requirements.

We have taken, and are taking, certain actions to remediate the material weakness related to our lack of U.S. GAAP experience. We have engaged an outside consultant with U.S. GAAP knowledge and experience to supplement our current internal accounting personnel and assist us in the preparation of our financial statements to ensure that our financial statements are prepared in accordance with U.S. GAAP. We also engaged an internal control consulting firm in July 2023 to review, test and improve our internal accounting controls and internal control over financial reporting. We are also **planning to arrange** **arranging** additional training of internal control for our employees and management on disclosure controls and procedures. We believe the measures described above will remediate the material weakness. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine that additional measures.

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

Other than discussed above, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

#### *Legal case with FT Global Litigation*

In January 2021, FT Global Capital, Inc. ("FT Global"), a former placement agent of the Company filed a lawsuit against the Company in the Superior Court of Fulton County, Georgia. FT Global served the complaint upon the Company in January 2021. In the complaint, FT Global alleges claims, most of which attempt to hold the Company liable under legal theories that relate back to an alleged breach of an exclusive placement agent agreement between FT Global and the Company in July 2020 which had a term of three months. FT Global claims that the Company failed to compensate FT Global for securities purchase transactions between December 2020 and April 2021, pursuant to the terms of the expired exclusive placement agent agreement. Allegedly, the exclusive placement agent agreement required the Company to pay FT Global for capital received during the term of the agreement and for the 12-month period following the termination of the agreement involving any investors that FT Global introduced and/or wall-crossed to the Company. However, the Company believes the securities purchase transactions at issue did not involve the one investor which FT Global introduced or wall-crossed to the Company during the term of the agreement. FT Global claims approximately \$7,000,000 in damages and attorneys' fees.

The Company timely removed the case to the United States District Court for the Northern District of Georgia (the "Court) on February 9, 2021 based on diversity of jurisdiction. On March 9, 2021, the Company filed a motion to dismiss based on FT Global's failure to state a claim which is pending before the Court. On March 23, 2021, FT Global filed its response to the Company's motion to dismiss. FT Global argues that the Court should deny the Company's motion to dismiss. However, if the Court is inclined to grant the Company's motion to dismiss, FT Global requested that the Court permit it to file an amended complaint. On April 8, 2021, the parties filed a Joint Preliminary Report and Discovery Plan. On April 12, 2021, the Court approved the Joint Preliminary Report and Discovery Plan and issued a Scheduling Order placing this case on a six-month discovery tract. On April 30, 2021, the Company served FT Global with its Initial Disclosures. On May 6, 2021, FT Global served the Company with its Initial Disclosures. On May 17, 2021, FT Global served the Company with its First Amended Initial Disclosures. On November 10, 2021, the Court entered an Order granting the Company's motion to dismiss FT Global's fraud claim and breach of contract claim as to the disclosure of its confidential and proprietary information. The Court denied the Company's motion to dismiss FT Global's i) breach of contract claim for failure to pay FT Global pursuant to the terms of the exclusive placement agent agreement; ii) claim for breach of the covenant of good faith and fair dealing; and iii) claim for attorney's fees, and the court concluded that additional information can be obtained through discovery. The Company timely filed an answer and defenses to FT Global's complaint on November 24, 2021. On January 3, 2022 the Company propounded discovery requests upon FT Global, including interrogatories and requests for production of documents. On March 23, 2022, the Company propounded requests for admission upon FT Global. On March 24, 2022, FT Global propounded discovery requests upon the Company, including requests for production of documents and requests for admission. On April 1, 2022, FT Global served its response to the Company's requests for production of documents. On May 13, 2022, FT Global served its responses to the Company's interrogatories and requests for admissions. On May 13, 2022, FT Global produced documents in response to the Company's requests for production of documents. On June 3, 2022, the Company produced documents in response to FT Global's requests for production of documents. On August 3, 2022, the Company took the deposition of FT Global. On August 4, 2022, FT Global took the deposition of the Company. On August 3, 2022, the Court granted the parties' Consent Motion to Extend Discovery Period extending the discovery period from August 5, 2022 to September 14, 2022 and the deadline to file dispositive motions to October 12, 2022. On October 12, 2022, the Company filed a motion for summary judgment on all claims asserted by FT Global in this lawsuit. On November 2, 2022, FT Global filed its opposition to the Company's motion for summary judgment. On November 16, 2022, the Company filed its reply in support of its motion for summary judgment on all claims asserted by FT Global in this lawsuit. On August 31, 2023, the Court entered an Order denying the Company's motion for summary judgment. On September 20, 2023, the parties filed a joint motion to extend the deadline to file the consolidated pretrial order pending mediation of the case by the parties. On September 21, 2023, the Court granted the parties' joint motion to extend the deadline to file the consolidated pretrial order to October 27, 2023. On October 16, 2023, the parties mediated the case. On October 24, 2023, the parties filed another joint motion to extend the deadline to file the consolidated pretrial order. On October 27, 2023, the Court granted the parties' joint motion to extend the deadline to file the consolidated pretrial order to November 17, 2023 and set the case for trial on January 8, 2024. Subsequently, the Court approved an extension of the deadline to file a pretrial order to December 1, 2023. The Company will continue to vigorously defend the action against FT Global.

#### *Settlement with SEC*

On December 17, 2019, the Company announced that it received a subpoena from the SEC's Division of Enforcement requiring the Company to produce documents and other information and the Company has cooperated with the SEC's investigation and information request. On July 3, 2023, the SEC announced a settlement of the investigation with the Company. Without admitting or denying the SEC's findings, the Company has consented to: (i) cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act, Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1, 13a-13 and 13a-15(a) thereunder; (ii) pay a civil money penalty in the amount of \$1,650,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3) and the payment shall be made in the following installments: the first installment of \$150,000 shall be paid within ten (10) days of July 3, 2023 (the "Order Date"); the second installment of \$375,000 shall be paid within 90 days of the Order Date; the third installment of \$375,000 shall be paid within 180 days of the Order Date; the fourth installment of \$375,000 shall be made within 270 days of the Order Date; and the last installment of \$375,000 shall be made within 360 days of the Order Date; (iii) retain, within sixty (60) days of the Order Date, at Company's own expense, a qualified independent consultant (the "Consultant") not unacceptable to the SEC staff, to test, assess, and review the Company's internal accounting controls and internal control over financial reporting (collectively, "review"), and the Consultant, at the conclusion of the review, which in no event shall be no more than 180 days after the Order Date, to submit a report of the Consultant to the Company and the SEC staff and the report shall address the Consultant's findings and shall include a description of the review performed, the conclusions reached, and the Consultant's recommendations for changes or improvements; and (iv) adopt, implement, and maintain all policies, procedures and practices recommended in the report of the Consultant within 120 days of receiving the report from the Consultant. The first installment and second installments of \$150,000 has each have been paid by the Company on July 7, 2023 and September 25, 2023, respectively. The Company also has engaged an independent consultant to test, assess, and review the Company's internal accounting controls and internal control over financial reporting on July 26, 2023.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company did not make any sales of unregistered securities during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** that were not previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended*</a>
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended*</a>
32.1	<a href="#">Certification of Principal Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002+</a>
32.2	<a href="#">Certification of Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002+</a>
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* filed herewith

+ Furnished herewith

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.

**FUTURE FINTECH GROUP INC.**

By: /s/ Shanchun Huang  
Shanchun Huang  
Chief Executive Officer  
(Principal Executive Officer)

**August 21, November 20, 2023**

By: /s/ Ming Yi  
Ming Yi  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**August 21, November 20, 2023**

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Exhibit 31.1

**RULE 13a-14(a) CERTIFICATION FOR FORM 10-Q (CEO) CERTIFICATION**

I, Shanchun Huang, certify that:

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

Date: **August 21, 2023** November 20, 2023

By: /s/ Shanchun Huang  
Shanchun Huang  
Chief Executive Officer

Exhibit 31.2

RULE 13a-14(a) CERTIFICATION FOR FORM 10-Q (CFO) CERTIFICATION

I, Ming Yi, certify that:

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

Date: **August 21, 2023** November 20, 2023

By: /s/ Ming Yi  
Ming Yi  
Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATION (CEO)  
FUTURE FINTECH GROUP INC.  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Future FinTech Group Inc. (the "Company") on Form 10-Q for the fiscal quarter ended **June 30, 2023** **September 30, 2023**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shanchun Huang, 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:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and  
(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.

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 21, 2023 November 20, 2023

/s/ Shanchun Huang

Shanchun Huang  
Chief Executive Officer

Exhibit 32.2

SECTION 1350 CERTIFICATION (CFO)  
FUTURE FINTECH GROUP INC.  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Future FinTech Group Inc. (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2023 September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof, the "Report", I, Ming Yi, 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:

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

Date: August 21, 2023 November 20, 2023

/s/ Ming Yi

Ming Yi  
Chief Financial Officer

#### DISCLAIMER

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