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DELTA REPORT

10-K

BYU - TD HOLDINGS, INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS 2761

■ CHANGES 247

■ DELETIONS 817

■ ADDITIONS 1697

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

FORM 10-K

(Mark One)

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

For the fiscal year ended **December 31, 2022** ~~December 31, 2023~~

or

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

For the transition period from _____ to _____

Commission file number: **001-36055**

TD BAIYU HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-4077653

(I.R.S. Employer
Identification No.)

139, Xinzhou 11th Street, Futian District
Shenzhen, Guangdong, PRC 518000
(Address of principal executive offices) (Zip Code)

+86 (0755) 82792111
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act:

Title of each class registered	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001	GLGBYU	Nasdaq Capital Market

Securities registered under Section 12(g) of the Act: None.

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

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

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

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

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

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

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

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

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

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

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

As of ~~June 30, 2022~~ June 30, 2023, the last business day of the registrant's second quarter of most recently completed fiscal year, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately ~~\$64.4 million~~ \$71.8 million based on the closing price of ~~\$1.26~~ \$0.615 for the registrant's common stock as reported on the NASDAQ Capital Market.

As of ~~March 6, 2023~~ March 22, 2024, there were ~~144,416,101~~ 19,785,688 shares of the Company's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

TD BAIYU Holdings, Inc.

Annual Report on Form 10-K

For the Fiscal Year Ended December 31, 2022 December 31, 2023

TABLE OF CONTENTS

Note Regarding Forward-Looking Statements	ii
PART I	
Item 1. Description of Business	1
Item 1A. Risk Factors	1729
Item 1B. Unresolved Staff Comments	2859
Item 1C. Cybersecurity	59
Item 2. Description of Property	2859
Item 3. Legal Proceedings	2859
Item 4. Mine Safety Disclosures	2859
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	2960
Item 6. [Reserved]	29[Reserved] 60
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	2960
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	3565
Item 8. Financial Statements and Supplementary Data	3565
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	3566
Item 9A. Controls and Procedures	3566
Item 9B. Other Information	3768
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	3768
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	3869
Item 11. Executive Compensation	4172
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	4173
Item 13. Certain Relationships and Related Transactions, and Director Independence	4274
Item 14. Principal Accountant Fees and Services	4475
PART IV	
Item 15. Exhibits, Financial Statement Schedules	4576

All Unless the context requires otherwise, reference to “BAIYU” refers to BAIYU Holdings, Inc., our Delaware holding company; reference to the “Company,” “we,” “our” or “us” refers to BAIYU Holdings, Inc., together as a group with its subsidiaries, and, in the context of describing the substantive operations and consolidated financial information relating to such operations of BAIYU Holdings, Inc. and its subsidiaries as a whole, refers to BAIYU and its subsidiaries; references to “we,” “us,” “our,” “GLG,” “Company,” “Registrant” “VIE” or similar terms used in this report refer “Tongdow Internet Technology” refers to TD Holdings, Inc., a Delaware corporation (“GLG”), including its consolidated subsidiaries, unless the context otherwise indicates. We conduct our business through our operating entities, Shanghai Jianchi Supply Chain Co., Ltd., Shenzhen Baiyu Jucheng Data Technology Co., Ltd (Formerly Named: Shenzhen HuamuCheng Trade Co. Ltd.), Tongdow (Hainan) Data Technology Co. Ltd., Shenzhen Qianhai Baiyu Supply Chain Co., Ltd., Hainan Jianchi Import and Export Co., Ltd., Hainan Baiyu Cross-border E-commerce Co., Ltd., Yangzhou Baiyu Venture Capital Co., Ltd., Yangzhou Baiyu Cross-border E-commerce Co., Ltd., Yangzhou Baiyu Lightweight New Material Co., Ltd. and Shenzhen Tongdow Internet Technology Co., Ltd., the variable interest entity.

“PRC” or “China” refers to the People’s Republic of China, excluding, for and only in the purpose context of describing PRC laws, regulations, rules, regulatory authority and other legal or tax matters in this annual report, excludes Taiwan, Hong Kong and Macau. “RMB” Macau; the legal and operational risks associated with operating in the PRC also apply to our operations in Hong Kong.

“RMB” or “Renminbi” refers to the legal currency of China and “\$,” “US\$” or “U.S. Dollars” refers to the legal currency of the United States.

Note Regarding Forward-Looking Statements

The information contained in this **Annual Report annual report** on Form 10-K includes statements that are not historical facts and are “forward-looking statements.” Such forward-looking statements include, but are not limited to, statements regarding our Company and our management’s expectations, hopes, beliefs, intentions or strategies regarding the future, including our financial condition and results of operations. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipates,” “believes,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “might,” “plans,” “possible,” “potential,” “predicts,” “projects,” “seeks,” “should,” “will,” “would” and similar expressions, or the negatives of such terms, may be identified as forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained herein are based on current expectations and beliefs concerning future developments and the potential effects on us. Future developments that actually affect us may not be those anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Examples are statements regarding future developments with respect to the following:

- expand our customer base;
- broaden our service and product offerings;
- enhance our risk management capabilities;
- improve our operational efficiency;
- our ability to raise sufficient funds to expand our operations;
- attract, retain and motivate talented employees;
- **the impact of COVID-19 on our business operations;**
- a decrease in demand for commodities trading and weakness in the commodities trading industry generally;
- navigate an evolving regulatory environment;
- defend ourselves against litigation, regulatory, privacy or other claims;
- development of a liquid trading market for our securities;
- our plan to maintain compliance with Nasdaq’s continued listing requirements;
- financial market volatility and declines in financial market prices of equity securities;
- liquidity and/or capital resources changes and the impact of any changes or limitations, including, without limitation, ability to borrow funds and/or renew or roll over existing indebtedness; and
- ongoing or new supply chain and product distribution/logistics issues.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assume responsibility for the accuracy and completeness of the forward-looking statements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

We qualify all of our forward-looking statements by these cautionary statements. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

PART I

Item 1. Description of Business.

Overview and Corporate History

TD BAIYU Holdings, Inc. (formerly known as Bat Group, TD Holdings, Inc.), has become a business engaging in commodities trading business (the “Commodities Trading Business”) and supply chain service business (the “Supply Chain Service Business”) in China since the disposition of its direct loans, loan guarantees and financial leasing services to small-to-medium sized businesses, farmers and individuals in July 2018 and its used luxurious car leasing business in August 2020.

The Commodities Trading Business primarily involves purchasing non-ferrous metal products from upstream metal and mineral suppliers and then selling to downstream customers. The Supply Chain Service Business primarily has served as a one-stop commodity supply chain service and digital intelligence supply chain platform integrating upstream and downstream enterprises, warehouses, logistics, information, and futures trading.

BAIYU Holdings, Inc. is a Delaware holding company that conducts its operations and operates its business in China through its PRC subsidiaries. Such structure involves unique risks to our investors. The Chinese government may intervene in or influence the operation of PRC subsidiaries and exercise significant oversight and discretion over the conduct of our business or may exert more control over offerings conducted overseas by, and/or foreign investment in, China-based issuers, which could result in a material change in our operations and/or the value of our common stock. Furthermore, rules and regulations in China may change quickly with short advance notice. If the PRC imposes limitations on the ownership structure of the Company or disallows our current ownership structure all together in the future, or if the PRC government takes other future actions resulting in a material change in our operations, the value of our shares may depreciate significantly or become worthless.

There are significant legal and operational risks associated with being based in or having the substantial all of its operations in China, including those changes in the legal, political and economic policies of the Chinese government, the relations between China and the United States, or Chinese or U.S. regulations, all of which may materially and adversely affect our business, financial condition and results of operations. Any such changes could cause the value of our securities to significantly decline or become worthless. The PRC government has significant authority to exert influence on the ability of a company with substantive operations in China, such as us, to conduct its business, accept foreign investments or list on a U.S. or other foreign exchanges. For example, we face risks associated with regulatory approvals of offshore offerings, anti-monopoly regulatory actions, oversight on cybersecurity and data privacy. As of the date of this report, we do not believe that we are subject to (a) the cybersecurity review with the Cyberspace Administration of China, or CAC, as we do not qualify as a critical information infrastructure operator or possess a large amount of personal information in our business operations, and our business does not involve data possessing that affects or may affect national security, implicates cybersecurity, or involves any type of restricted industry; or (b) merger control review by China’s anti-monopoly enforcement agency due to the fact that we do not engage in monopolistic behaviors that are subject to these statements or regulatory actions. However, since these statements and regulatory actions are new, it is highly uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, and, if any, the potential impact such modified or new laws and regulations will have on our daily business operation, ability to accept foreign investments and listing of our securities. In particular, as we are a holding company with substantive business operations in China, you should pay special attention to disclosures included in this annual report and risk factors included herein, including but not limited to risk factor such as “Risk Factors — Risks Relating to Our Corporate Structure” and “Risk Factors — Risks Related to Doing Business in China”.

The PRC government has significant oversight and discretion over the conduct of our business and may intervene with or influence our operations as the government deems appropriate to further regulatory, political and societal goals. The PRC government has recently published new policies that significantly affected certain industries, and we cannot rule out the possibility that it will in the future release regulations or policies regarding the industry where we operate, which could adversely affect our business, financial condition and results of operations. These risks could result in a material change in our operations and the value of our ordinary shares, or could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless. For more information on various risks related to doing business in China, see “Risk Factors — Risks Related to Doing Business in China”.

Pursuant to the Holding Foreign Companies Accountable Act, or the HFCAA, if the Public Company Accounting Oversight Board, or the PCAOB, is unable to inspect an issuer's auditors for three consecutive years, the issuer's securities are prohibited to trade on a U.S. stock exchange. The PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People's Republic of China because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. Furthermore, the PCAOB's report identified the specific registered public accounting firms which are subject to these determinations. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, legislation entitled "Consolidated Appropriations Act, 2023" (the "**Consolidated Appropriations Act**") was signed into law by President Biden, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act and amended the HFCAA by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading. On August 26, 2022, the PCAOB announced that it had signed a Statement of Protocol (the "**SOP**") with the China Securities Regulatory Commission, or the CSRC, and the Ministry of Finance of China. The SOP, together with two protocol agreements governing inspections and investigations (together, the "**SOP Agreement**"), establishes a specific, accountable framework to make possible complete inspections and investigations by the PCAOB of audit firms based in mainland China and Hong Kong, as required under U.S. law. On December 15, 2022, the PCAOB announced that it was able to secure complete access to inspect and investigate PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong completely in 2022. The PCAOB Board vacated its previous 2021 determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainties and depends on a number of factors out of our and our auditor's control. The PCAOB continues to demand complete access in mainland China and Hong Kong moving forward and is making plans to resume regular inspections in early 2023 and beyond, as well as to continue pursuing ongoing investigations and initiate new investigations as needed. The PCAOB has also indicated that it will act immediately to consider the need to issue new determinations with the HFCAA if needed.

As of the date of this annual report, neither Audit Alliance LLP, our previous auditor, nor Enrome LLP, our current auditor, is not subject to the determinations as to inability to inspect or investigate completely as announced by the PCAOB on December 16, 2021. Each of Audit Alliance LLP and Enrome LLP is based in Singapore and is registered with PCAOB and subject to PCAOB inspection.

We are not an operating company based in the PRC, rather, we are a holding company incorporated in Delaware. Investors are purchasing securities of a Delaware holding company rather than securities of our subsidiaries that have substantive business operations in China. The Company is a Delaware holding company that conducts its operations and operates its business in China through (i) its subsidiaries incorporated in mainland China, and (ii) contractual agreements with a variable interest entity, namely, Shenzhen Tongdow Internet Technology Co., Ltd. (the "**VIE**" or "**Tongdow Internet Technology**") based in mainland China. The VIE structure was established through a series of contractual agreements (collectively, the "**Tongdow VIE Agreements**"), comprising (i) that certain exclusive business cooperation agreement, entered into by and between the VIE and Shenzhen Baiyu Jucheng Data Technology Co., Ltd. ("**Shenzhen Baiyu Jucheng**") dated as of October 17, 2022, (ii) that certain share pledge agreement, entered into by and among Shenzhen Baiyu Jucheng, Shanghai Zhuotaitong Industry Co., Ltd ("**VIE Sole Original Shareholder**"), and the VIE, dated as of October 17, 2022, (iii) that certain Exclusive Option Agreement entered into by and among Shenzhen Baiyu Jucheng, VIE Sole Original Shareholder, and the VIE, dated as of October 17, 2022, (iv) that certain Power of Attorney entered in to by VIE Sole Original Shareholder, dated as of October 17, 2022, and (v) that certain Timely Reporting Agreement entered into by and between the VIE and Shenzhen Baiyu Jucheng, dated as of October 17, 2022. The VIE structure is used to provide investors with exposure to foreign investment in China-based companies where the PRC law restricts direct foreign investment in certain operating companies. BAIYU does not own any equity interest in the VIE. Our contractual arrangements with the VIE are not equivalent of an investment in the equity interest of the VIE, and investors of BAIYU may never hold equity interests in the Chinese operating companies, including the VIE. Instead, we are regarded as the primary beneficiary of the VIE, for accounting purposes, based upon the Tongdow VIE Agreements. Accordingly, under U.S. GAAP, the results of the VIE will be consolidated in our financial statements. Investors are purchasing the equity securities of BAIYU, the Delaware holding company, rather than the equity securities of the VIE. However, neither the investors in BAIYU nor BAIYU itself have an equity ownership in, direct foreign investment in, or control of, through such ownership or investment, the VIE.

The VIE structure involves unique risks to our investors. It may not provide effective operational control over the VIE and also faces risks and uncertainties associated with, among others, the interpretation and the application of the current and future PRC laws, regulations and rules to such contractual arrangements. As of the date of this annual report, the agreements under the contractual arrangements with respect to the VIE have not been tested in a court of law. If the PRC regulatory authorities find these contractual arrangements non-compliant with the restrictions on direct foreign investment in the relevant industries, or if the relevant PRC laws, regulations and rules or their interpretation change in the future, we could be subject to severe penalties or be forced to relinquish our interests in the VIE or forfeit our rights under the contractual arrangements. The PRC regulatory authorities could disallow the VIE structure at any time in the future, which would cause a material adverse change in our operations and cause the value of our securities you invested in this offering to significantly decline or become worthless.

The Chinese government may disallow the Company's current holding structure, which could result in a material change in our operations and materially and adversely affect the value of shares of our common stock or our other securities and could cause the value of our shares or other securities to significantly decline or become worthless. Furthermore, the Chinese regulatory authorities may intervene in or influence the operation of PRC subsidiaries and exercise significant oversight and discretion over the conduct of their business or may exert more control over offerings conducted overseas by, and/or foreign investment in, China-based issuers, which could result in a material change in our operations and/or the value of our common stock. Further, rules and regulations in China may be changed from time to time, and any actions by the Chinese government to exert more oversight and supervision over offerings that are conducted overseas by, and/or foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

Our Current Business

Commodities Trading Business

The Commodities Trading Business primarily involves purchasing non-ferrous metal products, such as aluminum ingots, copper, silver, and gold, from upstream metal and mineral suppliers and then selling to downstream customers. In connection with the Company's commodity sales, in order to help customers to obtain sufficient funds to purchase various metal products and also help upstream metal and mineral suppliers to sell their metal products, the Company launched its Supply Chain Service Business in December 2019. The Company primarily generates revenues from bulk non-ferrous commodity products, and from providing related supply chain management services in the PRC.

In order to diversify the Company's business, the Company has operated the Commodities Trading Business through Shenzhen Huamucheng Trading Co., Ltd. ("**Huamucheng**") since November 2019, which was renamed as Shenzhen Baiyu Jucheng Data Technology Co., Ltd. ("**Shenzhen Baiyu Jucheng**" "**Jucheng**") in 2021. On November 22, 2019, Hao Limo Technology (Beijing) Co., Ltd. ("**Hao Limo**" "**Limo**"), our indirectly wholly-owned subsidiary, entered into a series of agreements with Shenzhen Baiyu Jucheng and the shareholders of Shenzhen Baiyu Jucheng pursuant to which we obtained control of Shenzhen Baiyu Jucheng (the "**Baiyu VIE Agreements**"). On June 25, 2020, Hao Limo and Shenzhen Baiyu Jucheng We initially entered into certain VIE termination agreements to terminate with the Shenzhen Baiyu Jucheng VIE Agreements. As such, Hao Limo no longer has the control rights and rights to the assets, property and revenue of previous shareholders Shenzhen Baiyu Jucheng. At On June 25, 2020, the same time, Baiyu VIE Agreements were terminated and Shanghai Jianchi Supply Chain Co., Ltd. ("**Shanghai Jianchi**"), our wholly-owned subsidiary incorporated in China, acquired 100% equity interest of Shenzhen Baiyu Jucheng from the shareholders of Shenzhen Baiyu Jucheng (the "**Shenzhen Baiyu Jucheng Shareholders**") for nominal consideration.

Through Shenzhen Baiyu Jucheng's business, we source bulk commodity products from non-ferrous metals and mines or its designated distributors and then sell to manufacturers who need these metals in large quantities. We also work with upstream suppliers in the sourcing of commodities.

Through Shenzhen Qianhai Baiyu Supply Chain Co., Ltd. ("**Qianhai Baiyu**"), our wholly-owned subsidiary incorporated in China, we provide supply chain management services to our customers. On October 26, 2020, Shenzhen Baiyu Jucheng entered into certain share purchase agreements to acquire 100% shares of Qianhai Baiyu. Qianhai Baiyu is engaged in the supply chain service business and covers a full range of commodities, including non-ferrous metals, ferrous metals, coal, metallurgical raw materials, soybean oils, oils, rubber, wood and various other types of commodities. It also has a supply chain infrastructure, which includes processing, logistics, warehousing and terminals. Utilizing its customer base, industry experience, and expertise in the commodity trading industry, Qianhai Baiyu serves as a one-stop commodity supply chain service and digital intelligence supply chain platform integrating upstream and downstream enterprises, warehouses, logistics, information, and futures trading.

The acquisition of Qianhai Baiyu has laid a solid foundation for the Company to further expand its operations in the commodity supply chain field. The Company plans to strengthen and upgrade its supply chain services platform by introducing a systematic quantitative risk control system, which will be based on the Qianhai Baiyu's massive historical market data and complex data analysis models. The platform is expected to establish a quantitative risk management system utilizing ETL data integration (Extract, Transform, Load) as its core, and then optimize trading portfolios by incorporating various factors and strategies in order to effectively control risks and sustain business development.

For the fiscal year ended **December 31, 2022** **December 31, 2023**, the Company generated revenue of **\$155,443,398** **\$134,558,086** from its commodities trading business and **\$1,391,903** **\$67,981** from its supply chain management services.

VIE Agreements

We have operated the Commodities Trading Business through Shenzhen Huamucheng Trading Co., Ltd. since November 2019, which was renamed as Shenzhen Baiyu Jucheng Data Technology Co., Ltd. ("**Shenzhen Baiyu Jucheng**") in 2021. On November 22, 2019, Hao Limo Technology (Beijing) Co., Ltd. ("**Hao Limo**"), our previously indirectly wholly-owned subsidiary, entered into the Baiyu VIE Agreements. On June 25, 2020, Hao Limo and Shenzhen Baiyu Jucheng entered into certain VIE termination agreements to terminate the Baiyu VIE Agreements. As a result of the termination of the Baiyu VIE Agreements, Hao Limo no longer has the control rights and rights to the assets, property and revenue of Shenzhen Baiyu Jucheng. At the same time, Shanghai Jianchi Supply Chain Co., Ltd., our wholly-owned subsidiary incorporated in China, acquired 100% equity interest of Shenzhen Baiyu Jucheng from the shareholders of Shenzhen Baiyu Jucheng for nominal consideration.

On October 17, 2022, Shenzhen Baiyu Jucheng entered into the Tongdow VIE Agreements, comprising (i) that certain exclusive business cooperation agreement, entered into by and between the VIE and Shenzhen Baiyu Jucheng dated as of October 17, 2022 (the "**Exclusive Business Cooperation Agreement**"), (ii) that certain share pledge agreement, entered into by and among Shenzhen Baiyu Jucheng, Shanghai Zhuotaitong Industry Co., Ltd ("**VIE Sole Original Shareholder**"), and the VIE, dated as of October 17, 2022 (the "Share Pledge Agreement"), (iii) that certain Exclusive Option Agreement entered into by and among Shenzhen Baiyu Jucheng, VIE Sole Original Shareholder, and the VIE, dated as of October 17, 2022 (the "**Exclusive Option Agreement**"), (iv) that certain Power of Attorney entered in to by VIE Sole Original Shareholder, dated as of October 17, 2022 (the "**POA**"), and (v) that certain Timely Reporting Agreement entered into by and between the VIE and Shenzhen Baiyu Jucheng, dated as of October 17, 2022 (the "**Reporting Agreement**").

The Tongdow VIE Agreements allow us to (1) be considered as the primary beneficiary of the VIE for accounting purposes and consolidate the financial results of the VIE, (2) receive substantially all of the economic benefits of the VIE, (3) have the pledge right over the equity interests in the VIE as the pledgee, and (4) 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 Shenzhen Baiyu Jucheng and the contractual arrangements with the VIE, we have become the primary beneficiary of the VIE for accounting purposes, and, therefore, have consolidated the financial results of the VIE in our consolidated financial statements in accordance with U.S. GAAP.

The following is a summary of the Tongdow VIE Agreements:

Exclusive Business Cooperation Agreement. Pursuant to the terms thereof, Shenzhen Baiyu Jucheng agrees to provide the VIE with customer support, business support and related supply chain management services during the term of the agreement and the VIE agrees not to engage any other party for the same or similar consultation and/or management services without Shenzhen Baiyu Jucheng's prior consent. The VIE agrees to pay Shenzhen Baiyu Jucheng service fees substantially equal to all of its net income, subject to any requirement by PRC law and its articles of association.

Share Pledge Agreement. Pursuant to the terms thereof, VIE Sole Original Shareholder pledged all of its equity interest in the VIE to Shenzhen Baiyu Jucheng in order to guarantee the performance of the VIE's obligations under the Exclusive Business Cooperation Agreement. The agreement will be terminated upon full payment of consulting and service fees and termination of the VIE's contractual obligations under the Exclusive Business Cooperation Agreement.

Exclusive Option Agreement. Pursuant to the terms thereof, VIE Sole Original Shareholder has irrevocably granted Shenzhen Baiyu Jucheng an exclusive option to purchase at any time, in part or in whole, its equity interests in the VIE for a purchase price equal to the capital paid by VIE Sole Original Shareholder, adjusted pro rata for purchase of less than all of the equity interests.

Powers of Attorney. Pursuant to the terms thereof, VIE Sole Original Shareholder has irrevocably authorized Shenzhen Baiyu Jucheng to act on its behalf as the exclusive agent and attorney with respect to all rights as a shareholder, including but not limited to, (1) convening, attending and presiding over shareholders' meetings, (2) exercising all the shareholder's rights, including voting, that shareholders are entitled to under PRC law and the Articles of Association of the VIE, including but not limited to the sale, transfer, pledge or disposition of the equity interests of the VIE owned by such shareholder in part or in whole, (3) designating and appointing on behalf of the shareholders the legal representative, executive director, supervisor, chief executive officer and other senior management members of the VIE, (4) signing and executing all legal documents related to the shareholder's rights, and (5) receiving the dividends paid by the VIE to its shareholder.

Reporting Agreement. Pursuant to the terms thereof, the VIE agrees to promptly provide all information required by Shenzhen Baiyu Jucheng so that it can make necessary SEC and other regulatory reports in a timely fashion.

In the opinion of our PRC counsel, Tahota (Beijing) Law Firm, (i) the ownership structures of the VIE and Shenzhen Baiyu Jucheng are not in any violation of applicable PRC laws and regulations currently in effect; and (ii) the contractual arrangements between Shenzhen Baiyu Jucheng, the VIE and its shareholder governed by PRC laws and regulations are currently valid, binding and enforceable and will not result in any violation of applicable PRC laws and regulations currently in effect.

However, we have been advised by our PRC counsel, Tahota (Beijing) Law Firm, that there are substantial uncertainties regarding the interpretation and application of current PRC laws and regulations. The PRC government may ultimately take a view contrary to or otherwise different from the opinion of our PRC counsel. As of the date of this report, the agreements under the contractual arrangements among Shenzhen Baiyu Jucheng, the VIE, and its shareholder have not been tested in a court of law. Investors in our securities are not purchasing equity interest in the VIE in China but, instead, are purchasing equity interest in a holding company incorporated in the laws of State of Delaware. The contractual arrangements may be less effective from direct ownership in providing us with control over the VIE and we may incur substantial costs to enforce the terms of the arrangements. Our corporate structure is subject to risks associated with our contractual arrangements with the VIE. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or the VIE is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. We could be subject to severe penalties or be forced to relinquish our interests in those operations. Our Delaware holding company, Shenzhen Baiyu Jucheng, and the VIE, and investors in securities in BAIYU face uncertainty with respect to potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIE and, consequently, significantly affect the financial performance of our company as a whole and the VIE. See "Risk Factors — Risks Related to Doing Business in China — The contractual arrangements with the VIE and its shareholder may be less effective than direct ownership in providing operational control" and "— We face uncertainty with respect to the enforceability of the contractual arrangements with the VIE and its shareholder, and any failure by the VIE or its shareholder to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business."

Convertible Promissory Notes Issuance and Settlement

On March 4, 2021, the Company entered into a securities purchase agreement with Streeterville Capital, LLC, a Utah limited liability company, pursuant to which the Company issued an unsecured promissory note in the original principal amount of \$3,320,000, convertible into shares of common stock, for proceeds of \$3,000,000. The Company recorded a debt discount of \$320,000, which is being amortized over 12 months. The Company settled convertible promissory note of \$200,000 on January 5, 2022, \$175,000 on January 26, 2022, \$175,000 on February 8, 2022, \$200,000 on February 25, 2022, \$375,000 on March 17, 2022, \$500,000 on March 17, 2022, \$179,819 on March 18, 2022 and \$262,331.48 on June 8, 2022, respectively, and issued 128,932, 176,482, 188,740, 275,330, 516,244, 500,000, 179,819 and 386,691 shares of the Company's common stock on January 10, 2022, January 27, 2022, February 9, 2022, March 2, 2022, March 17, 2022, March 21, 2022, March 22, 2022 and June 14, 2022, respectively. As of June 30, 2022, the convertible promissory note issued on March 4, 2021 has been fully settled.

On October 4, 2021, the Company entered into a securities purchase agreement with Atlas Sciences, LLC, a Utah limited liability company, pursuant to which the Company issued the investor an unsecured promissory note in the original principal amount of \$2,220,000, convertible into shares of the Company's common stock, for \$2,000,000 in gross proceeds. The convertible promissory note includes an original issue discount of \$200,000 along with \$20,000 for the investor's fees, costs and other transaction expenses incurred in connection with the purchase and sale of the note. The Company settled convertible promissory note of \$250,000 on June 23, 2022, \$125,000 on July 7, 2022, \$125,000 on July 18, 2022, \$125,000 on July 26, 2022, \$125,000 on August 4, 2022, \$125,000 on September 6, 2022, \$125,000 on September 29, 2022, \$125,000 on November 4, 2022, \$125,000 on November 11, 2022, and \$125,000 on December 16, 2022, respectively, and issued 328,947, 135,693, 125,603, 125,100, 125,100, 150,777, 151,684, 144,676, 148,583, and 148,399 shares of the Company's common stock on June 27, 2022, July 7, 2022, July 19, 2022, July 26, 2022, August 5, 2022, September 12, 2022, October 3, 2022, November 7, 2022, November 15, 2022, and December 19, 2022, respectively, for the year ended December 31, 2022.

On May 6, 2022, the Company entered into a securities purchase agreement with Streeterville Capital, LLC, a Utah limited liability company, pursuant to which the Company issued the investor a convertible promissory note in the original principal amount of \$3,320,000, convertible into shares of the Company's common stock, for \$3,000,000 in gross proceeds. By written consent dated May 10, 2022, as permitted by Section 228 of the Delaware General Corporation Law and Section 8 of Article II of our bylaws, the stockholders who have the authority to vote a majority of the outstanding shares of Common Stock approved the following corporate actions: (i) the entry into a purchase agreement dated of May 6, 2022 by and between the Company and the investor, pursuant to which the Company issued the note dated of May 6, 2022 to the investor; and (ii) the issuance of shares of common stock in excess of 19.99% of the currently issued and outstanding shares of common stock of the Company upon the conversion of the note. The Company settled a convertible promissory note of \$375,000 on November 16, 2022, \$200,000 on January 18, 2023, \$200,000 on February 3, 2023, \$175,000 on February 8, 2023, \$250,000 on February 15, 2023, \$250,000 on March 8, 2023, \$125,000 on March 24, 2023, \$150,000 on September 14, 2023, \$200,000 on November 7, 2023, and \$175,000 on November 8, 2023, respectively, and issued 445,749, 235,960, 234,389, 205,090, 292,987, 279,567, 145,660, 1,153,846, 131,585 and 115,137 shares of the Company's Common Stock on November 17, 2022, January 19, 2023, February 6, 2023, February 8, 2023, February 15, 2023, March 15, 2023, March 29, 2023, September 15, 2023, November 7, 2023, and November 8, 2023, respectively.

The above two unsettled convertible promissory notes, note, issued on October 4, 2021 and May 6, 2022, have has a maturity date of 12 months with an interest rate of 10% per annum. The Company retains the right to prepay the note at any time prior to conversion with an amount in cash equal to 125% of the principal that the Company elects to prepay at any time six months after the issue date, subject to maximum monthly redemption amount of \$250,000 and \$375,000, respectively. On or before the close of business on the third trading day of redemption, the Company should deliver conversion shares via "DWAC" (DTC's Deposit/Withdrawal at Custodian system). The Company will be required to pay the redemption amount in cash, or chooses to satisfy a redemption in registered stock or unregistered stock, such stock shall be issued at 80% of the average of the lowest "VWAP" (the volume-weighted average price of the Common Stock on the principal market for a particular trading day or set of trading days) during the fifteen trading days immediately preceding the redemption notice is delivered.

On March 13, 2023, the Company entered into a securities purchase agreement with Streeterville and issued a convertible note due 2024 (the "Note") to Streeterville. The Note has a principal amount of \$3,320,000 (the "Principal") and bears an interest rate that equals to ten percent (10%) per annum. The purchase price for the Note is \$3,000,000 (the "Purchase Price"), and the date on which the Purchase Price is delivered by Streeterville Capital to the Company, (the "Purchase Price Date"). The Principal and the interest payable under the Note will become due and payable twelve (12) months from the Purchase Price Date (the "Maturity Date"), unless earlier converted or prepaid by us. The Note has a conversion price (the "Redemption Conversion Price") equal to eighty percent (80%) multiplied by the lowest VWAP (the dollar volume-weighted average price for shares of our common stock on the Nasdaq Capital Market) during the fifteen (15) trading days immediately preceding the date a redemption notice is delivered (the "Redemption Date"). In this report, the company refers to all shares issued by us pursuant to conversion of the Note as "Conversion Shares." The Investor has the right to redeem the Note at any time beginning on the date that is ninety (90) days from the Purchase Price Date until the outstanding balance has been paid in full, subject to the maximum monthly redemption amount of \$375,000 (the "Maximum Monthly Redemption Amount"). Redemptions may be satisfied in cash, common stock at the Redemption Conversion Price, or any combination of the foregoing. We have the right, but not the obligation, to prepay all or any portion of the outstanding balance under this Note prior to the Maturity Date at a cash prepayment price equal to 125% of the outstanding balance to be prepaid. The Company settled the Note of \$300,000 on September 7, 2023, \$2000,000 on October 10, 2023, \$175,000 on October 13, 2023, \$150,000 on November 16, 2023, \$150,000 on December 5, 2023, and \$150,000 on December 29, 2023, respectively, and issued 2,091,466, 2,086,811, 1,845,991, 109,075, 109,075 and 137,644 shares of the Company's common stock on September 7, 2023, October 10, 2023, October 13, 2023, November 16, 2023, December 5, 2023, December 29, 2023, respectively.

May 2022 Private Placement

On May 27, 2022, the Company entered into that certain securities purchase agreement with Mr. Xiangjun Wang and Mr. Heung Ming (Henry) Wong, affiliates of the Company, and certain other non-affiliate purchasers who are “non-U.S. Persons”, pursuant to which the Company agreed to sell an aggregate of 11,420,000 shares of Common Stock, par value \$0.001 per share. The transaction was consummated on June 24, 2022 by the issuance of 11,420,000 shares of common stock. The Company received proceeds of \$11,420,000 in June 2022.

Reverse Stock Split of Common Stock, Change of Company Name, Ticker Change, and Amendment to Certificate of Incorporation

On September 1, 2021 May 15, 2023, the Company received a letter from NASDAQ Stock Market LLC (“**Nasdaq**”) stating that the Company was not in compliance with the Nasdaq Listing Rule 5550(a)(2) (the “**Minimum Bid Price Requirement**”) because the closing bid price for the Company’s common stock had remained below \$1.00 per share for the previous 30 consecutive business days. An initial grace period to regain compliance was provided, which ended on February 28, 2022 November 11, 2023.

On March 1, 2022, Nasdaq notified the Company that it was still non-compliant with the Minimum Bid Price Requirement. However, Nasdaq determined that the Company was eligible for an additional 180-day period, or until August 29, 2022, to regain compliance.

To achieve compliance with the Minimum Bid Price Requirements, the Company proposed a stock reverse split.

On August 11, 2022 September 15, 2023, our board of directors unanimously approved the amendments to the Company’s Certificate of Incorporation (as amended) to effect (i) a reverse stock split of our issued and outstanding common stock to comply with Nasdaq’s Minimum Bid Price Requirements, at a ratio of one-for-twenty to one-for-fifty immediately following the 2022 annual meeting reverse split, with the exact ratio to be set at a whole number within this range, and (ii) change the Company’s name to BAIYU Holdings, Inc (the “**Name Change**”). On September 18, 2023, by written consent of stockholders TD Holdings, Inc.’s in lieu of special meeting, the company’s stockholders who have the authority to vote a majority of the outstanding shares have approved and adopted an the filing of certificate of amendment to our Certificate of Incorporation certificate of incorporation to effect, among other things, (i) a reverse stock split of our common stock at a reverse stock split ratio of no less than five-for-one one-for-twenty to no more than ten-for-one, one-for-fifty, with the final decision of whether to proceed with the reverse stock split and the exact ratio and timing of the reverse split to be determined by our board of directors (“**Board of Directors**”), in its discretion, prior and (ii) the Name Change, with the final decision of whether to August 12, 2022. Promptly following proceed with the annual meeting, a Name Change and the timing for implementing the Name Change to be determined by our Board of Directors. On October 16, 2023, our Board of Directors unanimously approved, among other things, (x) the filing of the certificate of amendment of certificate of incorporation to effect the reverse stock split at the ratio of five-for-one (the one-for-fifty) (the “**Reverse Stock Split**”) was adopted and approved by the Name Change, and (y) the change of our Board of Directors, ticker on the Nasdaq to “BYU”. Subsequently, on August 11, 2022 October 19, 2023, we filed a Certificate of Amendment of Certificate of Incorporation with the Delaware Secretary of State to effect the Reverse Stock Split, Split and the Name Change. The Company’s common stock was began trading when the markets opened on Nasdaq on a Reverse Stock Split-adjusted basis under the new name “BAIYU Holdings, Inc” and the new ticker symbol “BYU” on August 17, 2022 October 30, 2023. As a result of the Reverse Stock Split, every five fifty shares of the Company’s common stock issued and outstanding were automatically reclassified into one new share of common stock, without modifying any rights or preferences of the shares of the Company’s common stock.

On September 1, 2022 November 13, 2023, the Company received a notification letter from Nasdaq informing it that compliance with the Minimum Bid Price Requirement had been regained, and the matter was closed.

Acquisition of Shenzhen Tongdow Internet Technology Co., Ltd.

On October 17, 2022, Shenzhen Baiyu Jucheng, entered into a set of variable interest entity agreements with Shenzhen Tongdow Internet Technology Co., Ltd. (“**Tongdow Internet Technology**”) and Shanghai Zhuotaitong Industry Co., Ltd., the sole shareholder of Tongdow Internet Technology. On October 25, 2022, the parties completed the transaction. Upon the closing of the transaction, Shenzhen Baiyu Jucheng acquired 65% equity interest of Tongdow Internet Technology at a consideration of RMB650 million and has effective control over Tongdow Internet Technology’s management and operations.

November 2022 2023 Private Placement

On November 6, 2022 November 16, 2023, the Company entered into that certain securities purchase agreement with Ms. Renmei Ouyang, Chairwomen and Chief Executive Officer of the Company, and certain other purchasers who are “non-U.S. Persons”, “non-U.S. Persons” as defined in Regulation S as promulgated under the Securities Act of 1933, as amended, pursuant to which the Company agreed to sell an aggregate of 50,000,000 15,000,000 shares of Common Stock, par value \$0.001 per share at a per share purchase price of \$2.09 (representing the number equal to (i) the average Nasdaq Official Closing Price of the Company’s Common Stock (as reflected on Nasdaq.com) for the five trading days immediately preceding the date of the securities purchase agreement, times (ii) 1.1) (the “**Common Stock PIPE**”). The transaction was consummated on November 29, 2023 by the issuance of 15,000,000 shares of common stock.

July 2023 Private Placement

On July 31, 2023, the Company entered into a securities purchase agreement with certain purchasers who are “non-U.S. Persons” as defined in Regulation S as promulgated under the Securities Act of 1933, as amended, pursuant to which, the Company agreed to sell such Purchasers an aggregate of 28,000,000 shares of its common stock, par value \$0.001 per share at a price of \$0.35 per share to the purchasers for gross proceeds of approximately \$9.8 million. The offering is being made pursuant to the Company’s shelf registration statement on Form S-3 (File No. 333-239757), which was filed with the Securities and Exchange Commission on July 8, 2020, and declared effective by on August 4, 2020, as supplemented by the prospectus supplement dated August 3, 2023, relating to the sale of the shares thereof.

January 2023 Private Placement

On January 9, 2023, the Company entered into that certain Securities Purchase Agreement with Ms. Huiwen Hu, an affiliate of the Company, and certain other purchasers who are “non-U.S. Persons” (as defined in Regulation S of the Securities Act of 1933, as amended, pursuant to which the Company agreed to sell an aggregate of 35,000,000 shares of its common stock, par value \$0.001 per share, at a per share purchase price of \$1.15 per share (“**November 2022 PIPE**”), \$1.21. The gross proceeds to the Company from the November 2022 PIPE was \$57.5 million, were \$42.35 million. Since Ms. Renmei Ouyang Huiwen Hu is an affiliate of the Company, the November 2022 PIPE transaction has been approved by the Audit Committee of the Board of Directors of the Company as well as the Board of Directors of the Company.

Settlement and Restated Common Stock Purchase Agreement

On January 19, 2021, the Company entered into a common stock purchase agreement, with White Lion Capital, LLC, a Nevada limited liability company, and on September 13, 2021, the Company entered into a settlement and mutual release agreement (the “**Settlement Agreement**”) with the investor. Pursuant to the Settlement Agreement, the Company and the investor agreed that on any trading day selected by the Company, provided that the closing price of the Company’s common stock, par value \$0.001 per share, on the date of purchase notice is greater than or equal to \$1.00 and there is an effective registration statement for the resale by the investor of the purchase notice shares, the Company has the right, but not the obligation, to present the investor with a purchase notice, directing the investor to purchase up to certain amount shares of the Company’s common stock.

On December 12, 2022, the Company entered into a settlement and restated common stock purchase agreement (the “**Restated Agreement**”) with the investor. Pursuant to the Restated Agreement, in consideration for the investor’s execution and delivery of, and performance under the Restated Agreement, the Company agreed to issue to the investor 300,000 unregistered shares of common stock of the Company within five business days of execution of the Restated Agreement. In addition, within thirty days of the execution of the Restated Agreement, the Company shall deliver to the investor a purchase notice for 489,306 shares of common stock (the “**First Purchase Notice**”) at a purchase price of 80% of the lowest daily volume-weighted average price (“**VWAP**”) of the Company’s common stock during the valuation period as defined in the Restated Agreement (the “**Purchase Price**”). Within thirty days of the closing of the First Purchase Notice, the Company shall deliver to the investor a purchase notice for 200,000 purchase notice shares (the “**Second Purchase Notice**”) at the Purchase Price. Between the closing date of the Second Purchase Notice and the period ending on the earlier of (i) March 31, 2023 or (ii) the date on which the investor shall have purchased an aggregate of 2,889,306 purchase notice shares, the Company shall have the right, but not the obligation, to direct the investor to purchase up to 1,900,000 purchase notice shares at which (i) the first 600,000 purchase notice shares shall be at the Purchase Price and (ii) any remaining purchase notice shares shall be at a purchase price of 85% of the lowest daily VWAP of the Company’s common stock during the valuation period as defined in the Restated Agreement.

Corporate Structure

TD BAIYU Holdings, Inc. is a holding company that was incorporated under the laws of the State of Delaware on December 19, 2011. HC High Summit Holding Limited (“**HC High BVI**”), a company incorporated under the laws of the British Virgin Islands on May 22, 2018, is wholly owned by the Company. On April 2, 2020, HC High BVI established TD Internet Of Things Technology Company Limited (“**TD Internet Of Things Technology**”, formerly known as Tongdow Block Chain Information Technology Company Limited), a holding company incorporated in accordance with the laws and regulations of Hong Kong. TD Internet Of Things Technology is wholly owned by HC High BVI. On April 2, 2020 and July 16, 2020, Tongdow Block Chain established Shanghai Jianchi and Tongdow (Hainan) Data Technology Co., Ltd. (“**Tondow Hainan**”), respectively, as its wholly-owned subsidiaries. Both Shanghai Jianchi and Tongdow Hainan are holding companies incorporated in accordance with the laws and regulations of the People’s Republic of China (“**PRC**”).

On March 5, 2020, the Company filed a Certificate of Amendment of the Certificate of Incorporation with the Delaware Secretary of State to effect a name change from Bat Group, Inc. to TD Holdings, Inc. (the “**March Charter Amendment**”). The March Charter Amendment became effective on March 6, 2020.

On June 25, 2020, Hao Limo, the Company’s wholly-owned subsidiary incorporated in the PRC, and Huamucheng, which was renamed Shenzhen Baiyu Jucheng in 2021, a former VIE of the Company, entered into certain VIE termination agreements to terminate the Shenzhen Baiyu Jucheng VIE agreements. On the same date, Shanghai Jianchi, Shenzhen Baiyu Jucheng and Shenzhen Baiyu Jucheng Shareholders entered into certain share acquisition agreements pursuant to which Shanghai Jianchi acquired 100% equity interest of Shenzhen Baiyu Jucheng. As a result, Shenzhen Baiyu Jucheng transitioned from a variable interest entity controlled by the Company into a wholly owned subsidiary of the Company.

On September 11, 2020, the Company acquired Zhong Hui Dao Ming Investment Management Limited (“**ZHDM HK**”) and its wholly owned subsidiary, Tongdow E-Trading Limited (“**Tongdow HK**”). Both entities were holding companies incorporated in accordance with the laws and regulations of Hong Kong.

On October 26, 2020, Shenzhen Baiyu Jucheng entered into a certain share purchase agreement to acquire 100% shares of Qianhai Baiyu. The acquisition of Qianhai Baiyu has laid a solid foundation for the Company to further expand its operations in the commodity supply chain field.

On April 20, 2021, the Company effected a Certificate of Amendment of the Certificate of Incorporation (the “**April Charter Amendment**”) with the Delaware Secretary of State to increase the number of authorized shares of its common stock, par value \$0.001 per share, from 100,000,000 shares to 600,000,000 shares and the number of authorized shares of its preferred stock, par value \$0.001 per share, from 10,000,000 shares to 50,000,000 shares. The April Charter Amendment was approved by the Company’s Board of Directors on March 9, 2021, and by shareholders holding a majority of the Company’s issued and outstanding capital stock on March 10, 2021. The April Charter Amendment does not affect the rights of the Company’s shareholders.

As discussed above, on August 11, 2022, the Company has filed a Certificate of Amendment of the Certificate of Incorporation with the Delaware Secretary of State to effect the Reverse Stock Split, a reverse stock split.

On October 17, 2022, Shenzhen Baiyu Jucheng, entered into a set of variable interest entity agreements with Shenzhen Tongdow Internet Technology and Shanghai Zhuotaitong Industry Co., Ltd., the sole shareholder of Tongdow Internet Technology. On October 25, 2022, the parties completed the transaction. Upon The contractual arrangements allow us to (1) be considered as the closing primary beneficiary of the transaction, VIE for accounting purposes and consolidate the financial results of the VIE, (2) receive substantially all of the economic benefits of the VIE, (3) have the pledge right over the equity interests in the VIE as the pledgee, and (4) 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.

On October 19, 2023, the Company has filed a Certificate of Amendment of the Certificate of Incorporation with the Delaware Secretary of State to effect, among other things, the Reverse Stock Split and the Name Change. See section entitled “Reverse Stock Split of Common Stock, Change of Company Name, Ticker Change, and Amendment to Certificate of Incorporation” above.

BAIYU Holdings, Inc. is not an operating company based in the PRC, but a holding company incorporated in Delaware. Our operations are primarily conducted through (i) our subsidiaries incorporated in mainland China, and (ii) contractual agreements with a variable interest entity, namely, Tongdow Internet Technology based in mainland China. The VIE structure was established through a series of contractual agreements, comprising (i) that certain exclusive business cooperation agreement, entered into by and between the VIE and Shenzhen Baiyu Jucheng acquired 65% Data Technology Co., Ltd. (“Shenzhen Baiyu Jucheng”) dated as of October 17, 2022, (ii) that certain share pledge agreement, entered into by and among Shenzhen Baiyu Jucheng, Shanghai Zhuotaitong Industry Co., Ltd (“VIE Sole Original Shareholder”), and the VIE, dated as of October 17, 2022, (iii) that certain Exclusive Option Agreement entered into by and among Shenzhen Baiyu Jucheng, VIE Sole Original Shareholder, and the VIE, dated as of October 17, 2022, (iv) that certain Power of Attorney entered in to by VIE Sole Original Shareholder, dated as of October 17, 2022, and (v) that certain Timely Reporting Agreement entered into by and between the VIE and Shenzhen Baiyu Jucheng, dated as of October 17, 2022. See “Our Current Business — VIE Agreements” for details. The contractual arrangements allow us to (1) be considered as the primary beneficiary of the VIE for accounting purposes and consolidate the financial results of the VIE, (2) receive substantially all of the economic benefits of the VIE, (3) have the pledge right over the equity interests in the VIE as the pledgee, and (4) 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. However, these contractual agreements may be less effective than direct ownership in providing us with control over the VIE, and we may incur significant costs to enforce the terms of these agreements. For instance, the VIE and its shareholder could breach their contractual arrangements with us by, among other things, failing to conduct the operations of the VIE in an acceptable manner or taking other actions that are detrimental to our interests. If we had direct ownership of the VIE in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the VIE, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by the VIE and its shareholder of their obligations under the contracts to direct the VIE’s activities. The shareholder of the VIE may not act in the best interests of our company or may not perform its obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See “Risk Factors — Risks Related to Doing Business in China — The contractual arrangements with the VIE and its shareholder may be less effective than direct ownership in providing operational control.” The VIE structure is not equivalent to an investment in the equity interest of Tongdow Internet Technology at such entities. BAIYU does not own any equity interests in the VIE. Our contractual arrangements with the VIE and its nominee shareholder are not equivalent to an investment in the equity interest of the VIE. Investors are purchasing securities in BAIYU, the Delaware holding company, and are not purchasing, and may never hold, equity interest in the VIE. Such corporate structure involves unique risks associated with our contractual arrangements with the VIE. As of the date of this report, the agreements under the contractual arrangements with respect to the VIE have not been tested in a consideration court of RMB650 million law. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. Our Delaware holding company, our subsidiaries incorporated in mainland China and has the VIE, and investors in securities of BAIYU face uncertainty with respect to potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIE and, consequently, significantly affect the financial performance of our company as a whole and the VIE. In addition, all the agreements under our contractual arrangements with the VIE are governed by PRC law and provide for the resolution of disputes through arbitration in China. However, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective contractual control over Tongdow Internet Technology’s management the VIE, and operations, our ability to conduct our business may be negatively affected. See “Risk Factors — Risks Related to Doing Business in China — We face uncertainty with respect to the enforceability of the contractual arrangements with the VIE and its shareholder, and any failure by the VIE or its shareholder to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.”

The following diagram illustrates our corporate structure as of the date of this annual report:

(1) a variable interest entity.

Summary Consolidated Financial Data

The following are historical statements of operations and statements of cash flows for the fiscal years ended December 31, 2022, and December 31, 2023, and balance sheet data as of December 31, 2022 and December 31, 2023, which have been derived from our audited financial statements for those periods. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read this data together with our consolidated financial statements and related notes appearing elsewhere in this report. Solely for the purposes of this summary, (i) “Parent” refers to BAIYU Holdings, Inc.; (ii) “WFOE and its subsidiary” refers to Shenzhen Baiyu Jucheng Data Technology Co., Ltd. and its subsidiary Shenzhen Qianhai Baiyu Supply Chain Co., Ltd.; (iii) “VIE” refers to Shenzhen Tongdow Internet Technology Co., Ltd.; and (iv) “Other Subsidiaries” refers to all subsidiaries of BAIYU (other than WFOE and its subsidiary and VIE).

Selected Condensed Consolidation Balance Sheets

As of December 31, 2022						
	Parent	WFOE and its subsidiary	VIE	Other Subsidiaries	Elimination Entries and Reclassification Entries	Consolidated
Cash	\$ 391,660	\$ 392,627	\$ 777	\$ 107,993	\$ -	\$ 893,057
Intercompany receivable	291,834,086	72,031,748	-	72,054,524	(435,920,358)	-
Total Current Assets	292,299,062	218,976,607	1,806	73,205,406	(435,916,556)	148,566,325
Total Non-current Assets	410,000	189,712,925	38,408,523	18,179,851	(32,179,826)	214,531,473
Intercompany payable	-	361,819,711	3,249,921	70,850,726	(435,920,358)	-
Total Liabilities	4,238,152	376,465,664	42,024,382	73,481,743	(431,086,312)	65,123,629
Total Shareholders' Equity	288,470,910	32,223,868	(3,614,053)	17,903,514	(37,010,070)	297,974,169
As of December 31, 2023						
	Parent	WFOE and WOFE's Subsidiary	VIE and VIE's Subsidiary	Other Subsidiaries	Elimination Entries and Reclassification Entries	Consolidated
Cash	\$ 1,080,145	\$ 145,105	\$ 2,396	\$ 288,712	\$ -	\$ 1,516,358
Intercompany receivable	375,855,716	96,510,811	25,415	32,842,956	(505,234,898)	0
Total Current Assets	377,977,860	343,920,024	28,124	35,646,943	(505,231,093)	252,341,858
Total Non-current Assets	410,000	186,484,801	33,532,410	18,298,729	(35,782,777)	202,943,163
Intercompany payable	0	469,738,028	3,393,550	32,004,086	(505,135,664)	0
Total Liabilities	4,292,512	491,057,639	41,510,542	36,383,900	(501,104,877)	72,139,716
Total Shareholders' Equity	374,095,348	39,347,186	(7,950,008)	17,561,772	(39,908,993)	383,145,305

Selected Condensed Consolidated Statements of Operations Data

	For the fiscal year ended December 31, 2022					
	Parent Only	WFOE and its subsidiary	VIE	Other Subsidiaries	Eliminating adjustments	Consolidated
Revenue	\$ -	\$ 32,171,691	\$ -	\$ 124,663,610	\$ -	\$ 156,835,301
Intercompany revenue	-	-	-	-	-	-
Cost of revenue and related tax	-	31,336,404	-	124,460,640	-	155,797,044
Cost from intercompany	-	-	-	-	-	-
Gross Profit	-	835,287	-	202,970	-	1,038,257
Total operating expenses	1,654,555	1,407,523	776,138	1,305,773	3,744,750	8,888,739
Operating Income (expense)	(1,654,555)	(572,236)	(776,138)	(1,102,803)	(3,744,750)	(7,850,482)
Net Income(expense)	(3,332,404)	8,271,574	(775,970)	(2,862,299)	2,952,636	4,253,537
	For the year ended December 31, 2023					
	Parent Only	WFOE and WFOE's Subsidiary	VIE and VIE's Subsidiary	Other Subsidiaries	Elimination Entries and Reclassification Entries	Consolidated
Revenue	\$ -	\$ 19,159,124	\$ 1,351	\$ 115,465,592	\$ -	\$ 134,626,067
Intercompany revenue	-	-	-	-	-	-
Cost of revenue and related tax	-	19,294,710	-	115,520,831	-	134,815,541
Cost from intercompany	-	-	-	-	-	-
Gross Profit	-	(135,586)	1,351	(55,239)	-	(189,474)
Total operating expenses	7,478,472	793,101	4,420,038	875,775	3,024,302	16,591,688
Operating Income (expense)	(7,478,472)	(928,687)	(4,418,687)	(931,014)	(3,024,302)	(16,781,162)
Net Income(expense)	(8,972,849)	14,310,543	(4,418,675)	(917,117)	(2,268,227)	(2,266,325)

Selected Condensed Consolidated Statements of Cash Flows

	For the fiscal year ended December 31, 2022					
	Parent	WFOE and its subsidiary	VIE	Other Subsidiaries	Eliminating adjustments	Consolidated
OPERATING ACTIVITIES						
Net income (Loss)	\$ (3,332,404)	\$ 8,271,574	\$ (775,970)	\$ (2,862,299)	\$ 2,952,636	\$ 4,253,537
Intercompany receive	-	-	-	-	-	-
Intercompany payment	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(117,310,991)	144,785,800	94	(22,548,042)	(591,502)	4,335,359
Net cash provided by (used in) investing activities	-	(147,366,777)	-	21,829,031	-	(125,537,746)
Net cash provided (used in) financing activities	117,420,000	(29,735)	-	-	-	117,390,265
Intercompany receive	-	-	-	-	-	-
Intercompany payment	-	-	-	-	-	-
Effect of exchange rate fluctuation on cash	394,111	-	-	-	-	394,111
	For the year ended December 31, 2023					
	Parent Only	WFOE and WFOE's Subsidiary	VIE and VIE's Subsidiary	Other Subsidiaries	Eliminating adjustments	Consolidated
OPERATING ACTIVITIES						
Net income (Loss)	\$ (8,972,849)	\$ 14,310,543	\$ (4,418,675)	\$ (917,117)	\$ (2,268,227)	\$ (2,266,325)
Intercompany receive	-	-	-	-	-	-
Intercompany payment	-	-	-	-	-	-
Net cash provided by (used in) operating activities	(92,058,589)	99,875,335	1,640	87,614	1,641,516	9,547,516
Net cash provided by (used in) investing activities	0	(100,187,219)	0	94,170	6,350	(100,086,699)
Net cash provided (used in) financing activities	92,747,073	69,678	0	0	-	92,816,751
Intercompany receive	-	-	-	-	-	-
Intercompany payment	-	-	-	-	-	-
Effect of exchange rate fluctuation on cash	(1,654,267)	-	0	-	-	(1,654,267)

Cash Transfer and Dividend Payment

BAIYU Holdings, Inc., our holding company, or the Parent, may transfer cash to our offshore intermediary holding entities in the British Virgin Islands and Hong Kong and their respective subsidiaries, through capital injections and intra-group loans. Our offshore intermediary holding entities, in turn, may transfer cash to our PRC subsidiaries through capital injections and intra-group loans. Similarly, our PRC subsidiaries may in turn transfer cash to their respective subsidiaries in the PRC through capital injections and intra-group loans. Cash may also be transferred through our organization by way of intra-group transactions. If our wholly owned subsidiaries in the PRC realize accumulated after-tax profits, they may, upon satisfaction of relevant statutory conditions and procedures, pay dividends or distribute earnings to our offshore intermediary holding entities, which, in turn, may transfer cash to the Parent through dividends or other distributions. With necessary funds, the Parent may pay dividends or make other distributions to U.S. investors and service any debt it may have incurred outside of the PRC. No assets other than cash were transferred between the Parent and a subsidiary, no subsidiaries paid dividends or made other distributions to the Parent, and no dividends or distributions were paid or made to U.S. investors. The Company and its subsidiaries currently do not have a cash management policy in place. In 2022 and 2023, the Parent transferred cash in the amount of US\$2.3 million and nil to our PRC subsidiaries through our offshore intermediary holding entities by way of capital contribution to the PRC subsidiaries. In 2022, the Company owed TD E-Commerce an unpaid amount of \$38 million, which remained outstanding in 2023.

To the extent cash in the business is in the mainland PRC or Hong Kong or a PRC or Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC or Hong Kong due to restrictions under the PRC laws and regulations to transfer cash. Under PRC laws and regulations, we are subject to restrictions on foreign exchange and cross-border cash transfers, including to U.S. investors. Our ability to distribute earnings to the holding company and U.S. investors is also limited. We are a Delaware holding company and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. When any of our PRC subsidiaries incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, each of our PRC subsidiaries may pay dividends only out of its respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a PRC enterprise is required to set aside at least 10% of its after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. At its discretion, a PRC enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to a staff welfare and bonus fund. These reserve fund and staff welfare and bonus fund cannot be distributed to us as dividends. In addition, our PRC subsidiaries generate their revenue primarily in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to pay dividends to us. See “Risk Factor — Risks Related to Doing Business in China — Regulations relating to offshore investment activities by PRC residents may limit our ability to acquire PRC companies and could adversely affect our business”, “Risk Factors — Risks Related to Doing Business in China — PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business”, “Risk Factors — Risks Related to Doing Business in China — To the extent cash in the business is in the mainland PRC or Hong Kong or a PRC or Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of restrictions and limitations under the PRC laws and regulations.”

Recent Developments

Settlement of Convertible Promissory Notes

The Company settled the convertible promissory notes issued on March 13, 2023 in favor of \$125,000 Streeterville Capital, LLC, of \$150,000 on December 30, 2022 February 1, 2024, \$125,000 and \$150,000 on January 10, 2023, \$125,000 on January 18, 2023, \$200,000 on January 18, 2023, \$250,000 on February 2, 2023, \$200,000 on February 3, 2023, \$175,000 on February 8, 2023, \$250,000 on February 15, 2023 and \$250,000 on March 2, 2023 February 15, 2024, respectively, and issued 148,399, 147,824, 147,475, 235,960, 292,987, 234,389, 205,090, 292,987 160,174 and 279,567 152,650 shares of the Company’s common stock on January 6, 2023, January 12, 2023, January 18, 2023, January 19, 2023, February 3, 2023, February 6, 2023, February 8, 2023, February 15, 2023, and March 2, 2023, respectively.

January Private Placement

On January 9, 2023, the Company entered into a certain securities purchase agreement with Ms. Huiwen Hu, an affiliate of the Company, and certain other purchasers who are non-U.S. Persons, pursuant to which the Company agreed to sell an aggregate of 35,000,000 shares of its common stock, at a purchase price of \$1.21 per share (“January 2023 PIPE”). The gross proceeds to the Company from the January 2023 PIPE was \$42.35 million. Since Ms. Huiwen Hu is an affiliate of the Company, the January 2023 PIPE has been approved by the Audit Committee as well as the Board of Directors of the Company.

Settlement of Restated Agreement

The Company issued to White Lion Streeterville Capital, LLC 489,306 shares of the Company’s common stock on January 20, 2023 at a purchase price of 80% of the lowest daily volume-weighted average price of the Company’s common stock during the valuation period as defined in the Restated Agreement (the “Purchase Price”) February 1, 2024 and issued 200,000 shares of the Company’s common stock on February 1, 2023 at the Purchase Price, pursuant to the Restated Agreement dated December 12, 2022. The Company received relevant proceeds of \$400,182.47 and \$158,890.50, respectively, in 2023. February 15, 2024, respectively.

Our Business

As of **December 31, 2022** **December 31, 2023**, the Company has two business lines, the commodities trading business and supply chain management services set forth below.

Commodities Trading Business

Industry Overview

Bulk commodities trading refers to the trading of materials used in industrial and agricultural production that are continuously purchased in bulk, and are unable to be purchased from the retail sector. Commodities belong at the upstream stage of production processes of various industrial chains, and the supply and demand conditions of commodities can cause price fluctuations and affect the development of these industrial chains.

Commodities can be divided into four categories, metals, energy, livestock and meat, and agricultural. Metal commodities include gold, silver, platinum, and copper. Energy commodities include crude oil, heating oil, natural gas, and gasoline. Livestock and meat include lean hogs, pork bellies, live cattle, and feeder cattle. Agricultural commodities include corn, soybeans, wheat rice, cocoa, coffee, cotton, and sugar.

In recent years, although the growth rate of China's total commodity sales has slowed down, the aggregate sales are still impressive and approach RMB200 billion. According to Colliers International, China's major cities including Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and Xi'an completed a total of approximately RMB197.1 billion in commodity sales. In 2019 and 2020, these figures are RMB2.5 billion and RMB2.5 billion, respectively. Due to the outbreak of COVID-19 in 2019, this figure decreases sharply to RMB1,369 billion. Therefore, the data of 2021 indicates a strong recovery from COVID-19.

Operation of Commodities Trading Business

The Company's commodities trading operations via Shenzhen Baiyu Jucheng are focused on non-ferrous metal commodities such as aluminum, copper, silver, and gold. We strive to become an emerging platform in the non-ferrous metal e-commerce industry by offering all participants in the non-ferrous metal e-commerce industry a seamless, one-stop transaction experience.

Business Model

We source bulk commodities from non-ferrous metal mines or its designated distributors and sell them to manufacturers who need these metals in large quantities. We work with many suppliers in the sourcing of commodities, including various metal and mineral suppliers such as Kunsteel Group, Baosteel Group, Aluminum Corporate of China Limited, Yunnan Benyuan, Yunnan Tin, and Shanghai Copper. Potential customers include large infrastructure companies such as China National Electricity, Datang Power, China Aluminum Foshan International Trade, Tooke Investment (China), CSSC International Trade Co., Ltd., Shenye Group, and Keliyuan.

The Company has entered into a warehousing lease agreement with Shanghai Quansheng Logistics Co., Ltd (“**Shanghai Quansheng**”) to designate it as the Company’s warehouse in Shanghai. The Company’s criteria for choosing its warehouses are based primarily on the convenience of its location for transportation, which is highly conducive to the transportation of non-ferrous metal commodities, and secondarily based on its storage price.

Our inventory management procedure involves (1) an Application for Storage, (2) Storage of the Commodities, (3) an Application for Shipment, and (4) Shipment of Commodities, which are further described below.

1) Application for Storage

- The upstream suppliers apply for storage with the Company's leased warehouse center upon the sale of commodities to the Company. The application requires information including the commodities' production company, brand, specifications, weight, quantity, and storage time.

2) Storage of the Commodities

- Upon the arrival of the commodities at the warehouse, the warehouse checks and accepts the commodities according to the delivery instructions provided by the transportation company, ensuring that the delivery instructions, storage application, and the delivered commodities are all consistent.
- Upon acceptance, the warehouse scans and places the commodities into sorted storage. The warehouse then issues a certificate of inspection, which includes information such as the brand name, specifications, weight, quantity, packaging information, arrival time, storage location and other information of the received commodities. The certificate of inspection is then signed and stamped by the delivery driver, the warehouse manager, and the warehouse. Four copies of the certificate of inspection are made, two of which are provided to the transportation company and the supplier.

3) Application for Shipment

- The downstream customers apply for shipment with the warehouse upon the purchase of Commodities from the Company. The application requires information including the production company, brand, specifications, weight, quantity, delivery time, and storage location number.
- The downstream customers also fill in a delivery entrustment letter, including the name of the delivery company, the name of the delivery person, his or her ID number, the delivery vehicle's license plate number, the time, quantity, and information regarding the warehouse for delivery.

4) Shipment of Commodities

- The warehouse prepares the commodities in advance according to the pick-up time and the Application for Shipment.
- Upon arrival of the pick-up driver at the warehouse, the Company reviews the identity of the pick-up driver according to the delivery entrustment letter.
- Upon completing the loading of the commodities for shipment, the warehouse issues a certificate of sale, which includes information such as the brand name, specifications, weight, quantity, delivery time, and storage location number. The pick-up driver, warehouse manager, and the warehouse signs and stamps the certificate of sale. Four copies of the certificate of sale are made, two of which are provided to the transportation company and the customer.

We use a prepaid unified purchase and distribution model (“**Prepaid Model**”) in our business, which is further detailed below.

Under the Prepaid Model, we make advance prepayments between one to three months in advance when purchasing from the Company’s upstream suppliers. The process involves first obtaining purchase orders from one or more downstream purchasers and entering into sales agreements with such purchasers. After the Company receives the down payment from the downstream purchasers, it aggregates the total amount of commodities required to fulfill the orders and enters into purchase agreements with upstream suppliers to fulfill its purchase orders. Once the upstream suppliers have received the prepayment from the Company, they produce and deliver the commodities to the Company’s designated warehouse on the purchase agreement. Upon receipt of the commodities in the designated warehouse, the Company is notified by the warehouse and obtains the full payment from the downstream purchasers. After the Company pays its remaining balance to the upstream suppliers, it issues delivery instructions to the designated warehouse on the sales agreement and has the commodities delivered to the downstream purchasers.

Through the Prepaid Model, which is further illustrated below, the Company maintains a stable distribution volume and thereby generates profit margins via purchase discounts from upstream suppliers and mark-up pricing to downstream customers.

Warehousing Arrangement

Shenzhen Baiyu Jucheng has entered into a certain warehousing agreement with Shanghai Quansheng pursuant to which Shenzhen Baiyu Jucheng designated Shanghai Quansheng as its warehouse for the storage of its commodities.

Pursuant to the warehousing agreement with Shanghai Quansheng, Shenzhen Baiyu Jucheng and Shanghai Quansheng agreed to various customary representations, warranties and covenants, including, among other things, (1) details regarding the procedures for the storage and retrieval of the commodities, (2) storage and penalty fees, and (3) negotiation and litigation in the event of any breach of contract.

Suppliers

We source the non-ferrous metal from various sources including but not limited to smelters, non-ferrous metal wholesalers and metal traders. For the year ended **December 31, 2022** **December 31, 2023**, the Company purchased non-ferrous metal products from **twenty-two** **ten** third party suppliers.

Customers

We sell to various businesses in need of large quantity of non-ferrous metal including home appliance manufacturing enterprises, cable manufacturing enterprises and wire manufacturing enterprises. For the years ended **December 31, 2022** **December 31, 2023** and **2021, 2022**, the Company sold non-ferrous metals to **twenty-nine** **23** and **twenty-seven** **29** customers, respectively.

Supply Chain Management Services

Commodity Distribution Services

We offer a distribution service to bulk suppliers of precious metals by acting as a sales intermediary, procuring small to medium-sized buyers through our own professional sales team and channels and distributing to them the bulk precious metals of the suppliers. Upon the execution of a purchase order from our sourced buyers, we charge the suppliers with a commission fee ranging from 1% to 2% of the distribution order, depending on the size of the order. For the year ended **December 31, 2023**, the Company **earned commodity distribution commission fees of \$67,981 from facilitating such sales transactions with nine third party customers**. For the year ended **December 31, 2022**, the Company earned commodity distribution commission fees of \$1,391,903 from facilitating such sales transactions with **twenty third party customers**. For the year ended **December 31, 2021**, the Company **earned commodity distribution commission fees of \$3,180,227 from facilitating such sales transactions with thirty-four** **23** third party customers.

Marketing

Currently we market our commodities trading services through our sales personnel and online promotion. We have registered public accounts on WeChat and Weibo public accounts as well as an account on Tongdao.com to promote our services. We started to introduce our services via major search engines such as Zhida and Baidu. We are actively engaged with followers, viewers and potential customers on social media platforms such as Baidu Tieba, Tik Tok, Weibo, WeChat, and Zhihu. We plan to launch wider and deeper social media marketing in the near future as well as participate in more industry-related forums to increase the market exposure of our businesses and thereby increasing our popularity and establishing brand loyalty.

Seasonality

We do not experience substantial seasonal fluctuations in our revenues and the results of operations.

Business Strategy

Commodities Trading Business

Our current business strategy is to expand the varieties of commodities that we trade in, including ore, crude oil and coal in addition to our current focus on non-ferrous metals. In 2023, the Company plans on further expanding the commodities trading business into Southeast Asia while continuing to maintain and grow its current domestic customers. We also plan on further expanding our trade market consultations for our bulk trading customers.

Competition

Commodities Trading Business

The Company competes against other large domestic commodity trade service providers such as Xiamen International Trade and Yijian Shares. Currently, the principal competitive factors in the non-ferrous metal commodities trading business are price, product availability, quantity, service, and financing terms for purchases and sales of commodities. In addition, we also believe that our customers will choose among service providers on the basis of leadership in the commodity trading industry and service quality.

Competitive Strengths

Commodities Trading Business

- Our management team has accumulated substantial industry expertise through decades of experience in the commodities trading industry.
- Our ability to acquire customers through advertising on the promotion channels of major search engines and social media, such as Baidu, 58, Wechat, WeChat, and Weibo, using search engine optimization and search engine marketing to analyze the effectiveness and efficiency of different promotion channels. We also promote our services on the Tongdao E-commerce Network, a leading e-commerce platform for non-ferrous metals bulk commodities, which provides services including non-ferrous metal price quotes, spot trading and bulk purchasing.
- We have strong risk control measures. Through the establishment of a series of safeguard measures, we can ensure the safety of our commodities trading, reducing risk factors such as cargo damage, customer default, logistics distribution and supply chain services in the process of commodity trading.
- Our customers' privacy and security are guaranteed. This information is encrypted and can only be accessed by authorized employees for predetermined periods of time.
- Our commodity price system is transparent. Although commodity prices fluctuate every day, we are able to timely inform our customers of accurate prices to guide their transactions.
- Our customer service quality is very high and we are constantly upgrading our customer service system. We have a professional commodity consulting service, supply chain service and a comprehensive customer satisfaction evaluation mechanism.

Intellectual Property

Our intellectual property includes domain names ir.tdglg.com and tdglg.com, baiyuglobal.com.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. Monitoring unauthorized use of our technology is difficult and costly, and we cannot be certain that the steps we have taken will prevent the misappropriation of our technology. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

In addition, although there were no litigations initiated against us in [2021](#) [2023](#) by third parties alleging infringement of their proprietary rights or declaring non-infringement of our intellectual property rights, we cannot guarantee that such litigation will not be initiated in the future. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be harmed. Moreover, even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations.

Human Capital

As of the date of this report, we have 5851 employees for our commodities trading business, all of whom are full-time. We have employment contracts with all of our employees in China and in the U.S. in accordance with relevant PRC laws and U.S. laws. There are no collective bargaining contracts covering any of our employees. We believe that our relationship with our employees is satisfactory.

We have made employee benefit contributions in accordance with relevant Chinese regulations, including retirement insurance, unemployment insurance, medical insurance, housing fund, work injury insurance and birth insurance. The Company recorded the contribution in the general administration expenses when incurred.

Applicable Government Regulations

Our operations are subject to extensive and complex state, provincial and local laws, rules and regulations including but not limited to:

- Foreign Trade Law;
- Company Law of the PRC and its implementation rules;
- Labor Contract Law and its implementing rules;
- Provisional Regulation of China on Business Tax and its Implementing Rules;
- Enterprise Income Tax Law and the related Circulars and Notices;
- Foreign Exchange Administration Regulations;
- Foreign Investment Law of the PRC and its implementation Regulations;
- Special Management Measures (Negative List) for the Access of Foreign Investment;
- Road Traffic Safety Law;
- Road Transportation Regulation;
- Circular on Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment;
- Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment;
- Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises;
- Issues relating to Cross-border Direct Investment in RMB.

We are supervised by many provincial and local government authorities, including the Beijing Administration of Industry and Commerce.

Summaries of Certain Applicable Key PRC Laws

Foreign Trade Law of the PRC

The “Foreign Trade Law of the PRC” was revised and adopted at the 24th meeting of the Standing Committee of the Twelfth National People’s Congress of the PRC on November 7, 2016. The revised “Foreign Trade Law of the PRC” became effective on November 7, 2016.

The term “foreign trade” in the Foreign Trade Law of the People’s Republic of China refers to the import and export of goods, technology import and export, and international service trade. The law specifies the principles of foreign trade and the reasons why the country can restrict or prohibit the import and export of related goods and technologies, intellectual property protection, service trade, monopoly in foreign business activities and other relevant provisions.

On December 30, 2022, the Standing Committee further revised the Foreign Trade Law and deleted article 9. Article 9 established record and registration system for foreign trade operators and the deltoid of this article means foreign trade operators are no longer required to record or register themselves.

Summaries of Certain Key PRC Laws

PRC Licenses and Permits

The following table lists all of the licenses and permits that the Company and its subsidiaries are required to have in order to operate business and maintain its securities program from Chinese authorities:

Name of Company	License/Permit	Issuing Authority	Validity
Tongdow Internet Technology	Internet Content Provider License	Guangdong Communications Administration	October 8, 2026

There have been no instances where the Company or its subsidiaries have had their applications for such permissions or approvals rejected.

As of the date of this annual report, we have not received any inquiry, notice, warning, or sanctions from Chinese governmental authorities relating to our permissions or approvals for operating our business and maintaining our securities program in China.

If the Company or its subsidiaries fail to obtain or maintain such permissions or approvals, or incorrectly determine that such permissions or approvals are not necessary, our business could suffer. In cases where a company is denied such permissions, such company would either refrain from engaging in that particular business area, or partner with entities that can secure such permissions. The legal system in the PRC is continually evolving, and the applicable laws, regulations, or interpretations are subject to significant uncertainties. If the relevant regulations change abruptly, we may need to secure such permissions or approvals, which could be expensive, and may disrupt our business operations, negatively impacting our revenue and the value of our securities.

Foreign Trade Law of the PRC

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The term “foreign trade” in the Foreign Trade Law of the People’s Republic of China refers to the import and export of goods, technology import and export, and international service trade. The law specifies the principles of foreign trade and the reasons why the country can restrict or prohibit the import and export of related goods and technologies, intellectual property protection, service trade, monopoly in foreign business activities and other relevant provisions.

On December 30, 2022, the Standing Committee further revised the Foreign Trade Law and deleted article 9. Article 9 established record and registration system for foreign trade operators and the deltoid of this article means foreign trade operators are no longer required to record or register themselves.

CAC Review

On December 28, 2021, the Cyberspace Administration of China, CAC, jointly with the relevant authorities formally published Measures for Cybersecurity Review (2021) which took effect on February 15, 2022 and replace the former Measures for Cybersecurity Review (2020). Measures for Cybersecurity Review (2021) stipulates that operators of critical information infrastructure purchasing network products and services, and online platform operator (together with the operators of critical information infrastructure, the “Operators”) carrying out data processing activities that affect or may affect national security, shall conduct a cybersecurity review, any operator who controls more than one million users’ personal information must go through a cybersecurity review by the cybersecurity review office if it seeks to be listed in a foreign country. Since we are not an Operator, nor do we control more than one million users’ personal information, we would not be required to apply for a cybersecurity review under the Measures for Cybersecurity Review (2021). Our legal adviser, Tahota Law Firm (Beijing) has confirmed that we currently are not subject to the cybersecurity review process.

CSRC Filing Requirements

On December 24, 2021, the China Securities Regulatory Commission, or the CSRC, introduced draft regulations concerning the overseas issuance and listing of securities by domestic companies. These draft regulations were superseded by the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “Trial Measures”), which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Since these statements and regulatory actions by the PRC government are newly published, their interpretation, application and enforcement of unclear and there also remains significant uncertainty as to the enactment, interpretation and implementation of other regulatory requirements related to overseas securities offerings and other capital markets activities, our ability to offer, or continue to offer, securities to investors would be potentially hindered and the value of our securities might significantly decline or be worthless, by existing or future laws and regulations relating to its business or industry or by intervene or interruption by PRC governmental authorities, if we or our subsidiaries (i) do not receive or maintain such filings, permissions or approvals required by the PRC government, (ii) inadvertently conclude that such filings, permissions or approvals are not required, (iii) applicable laws, regulations, or interpretations change and we are required to obtain such filings, permissions or approvals in the future, or (iv) any intervention or interruption by PRC governmental with little advance notice.

According to the Notice on the Administrative Arrangements for the Filing of the Overseas Securities Offering and Listing by Domestic Companies from the CSRC, or “the CSRC Notice,” the domestic companies that have already been listed overseas before the effective date of the Trial Measures (namely, March 31, 2023) shall be deemed as existing issuers (the “Existing Issuers”). Existing Issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC for any subsequent offerings.

On February 24, 2023, the CSRC, together with the Ministry of Finance, National Administration of State Secrets Protection and National Archives Administration of China, revised the Provisions on Strengthening Confidentiality and Archives Administration for Overseas Securities Offering and Listing, which were issued by the CSRC and National Administration of State Secrets Protection and National Archives Administration of China in 2009, or the “Provisions.” The revised Provisions were issued under the title the “Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies,” and will come into effect on March 31, 2023 together with the Trial Measures. One of the major revisions to the revised Provisions is expanding their application to cover indirect overseas offering and listing, as is consistent with the Trial Measures. The revised Provisions require that, among other things, (a) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals or entities, including securities companies, securities service providers, and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level; and (b) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals and entities, including securities companies, securities service providers, and overseas regulators, any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. On or after March 31, 2023, any failure or perceived failure by our Company and our subsidiaries, to comply with the above confidentiality and archives administration requirements under the revised Provisions and other PRC laws and regulations may result in the relevant entities being held legally liable by competent authorities, and referred to the judicial organ to be investigated for criminal liability if suspected of committing a crime.

The Trial Measures, the revised Provisions and any related implementing rules to be enacted may subject us to additional compliance requirements in the future.

PRC Enterprise Income Tax Law

BAIYU operate its business through our PRC subsidiaries and the VIE which was incorporated in China. Under the PRC Enterprise Income Tax Law (the “EIT Law”), the standard enterprise income tax rate is 25%.

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, SAT issued SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although SAT Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in SAT Circular 82 may reflect the general position of SAT on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China only if all of the following conditions are met: (1) the primary location of the day-to-day operational management is in the PRC; (2) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (3) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (4) at least 50% of voting board members or senior executives habitually reside in the PRC. We believe that our Delaware holding company is not a PRC resident enterprise for PRC tax purposes. Our Delaware holding company is not controlled by a PRC enterprise or PRC enterprise group, and we do not believe that it meets all of the conditions above. For the same reasons, we believe our other entities outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body”. Therefore, there can be no assurance that the PRC government will ultimately take a view that is consistent with ours.

If the PRC tax authorities determine that our Delaware holding company is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to a 10% PRC tax on gains realized on the sale or other disposition of common stock, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20%. Any PRC tax imposed on dividends or gains may be subject to a reduction if a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of our Delaware holding company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that our Delaware holding company is treated as a PRC resident enterprise.

Provided that our Delaware holding company is not deemed to be a PRC resident enterprise, holders of our common stock who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our common stock. However, under SAT Bulletin 7 and SAT Bulletin 37, where a non-resident enterprise conducts an “indirect transfer” by transferring taxable assets, including, in particular, equity interests in a PRC resident enterprise, indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, or the transferee or the PRC entity which directly owned such taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. We and our non-PRC resident investors may be at risk of being required to file a return and being taxed under SAT Bulletin 7 and SAT Bulletin 37, and we may be required to expend valuable resources to comply with SAT Bulletin 7 and SAT Bulletin 37, or to establish that we should not be taxed thereunder. See “Risk Factors — Risks Related to Doing Business in China — If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders”.

Regulations on Registration of Branch Companies

According to the PRC Company Law amended and took effect on October 26, 2018 and the Regulation on the Administration of the Registration of Market Entities adopted at the 131st executive meeting of the State Council on April 14, 2021 and took effect on March 1, 2022, a company may establish branch companies, which are entities without the status of a legal person and conduct business outside the domicile of the company. Branch companies must be registered at a competent government agency and obtain a business license. The Administrative Regulation of the PRC on the Registration of Market Entities sets forth the detailed formalities on the registration of branch companies.

Our PRC subsidiaries have registered one branch in Shanghai and have obtained a business license for it as of the date of this report.

Regulations on Employment Contracts

The Labor Contract Law of the PRC was promulgated on June 29, 2007, as amended on December 28, 2012 and effective on July 1, 2013. On September 18, 2008, the PRC State Council issued the PRC Labor Contract Law Implementing Rules, which became effective as of the date of issuance. The Labor Contract Law and its Implementing Rules govern the establishment of employment relationships between employers and employees, and the conclusion, performance, termination of, and the amendment to employment contracts. To establish an employment relationship, a written employment contract must be signed. In the event that no written employment contract was signed at the time of establishment of an employment relationship, a written employment contract must be signed within one month after the date on which the employer starts to use the employee’s services. An employer may terminate the labor agreement of an employee under certain specified circumstances and in some cases, such termination can only be done after fulfillment of certain procedural requirements, such as 30 days’ prior notice or upon payment of one month’s salary in lieu of such notice. In certain cases, the terminated employee is entitled to receive a severance payment equal to the average monthly salary during the 12-month period immediately preceding to the termination (inclusive of all monetary income such as base salary, bonus, allowances, etc.), for each year of service up to the date of termination. If an employer terminates a labor contract in any circumstance other than those specified under the Labor Contract Law and its implementing rules, including termination without cause, the employer must either reinstate and continue to perform the employee’s employment contract or pay the employee damages calculated at twice the rate for calculating the severance payment, subject to the employee’s own request. In the case that the employee requests for damages, the employer is not required to pay other severance or the remainder of the amount owed under the employment contract unless the employment contract has otherwise been provided for.

In addition, according to the Labor Contract Law and its implementing rules, in order to enforce the non-compete provision with the employees after the termination or ending of employment relationship, the employer shall compensate the employees on a monthly basis during the non-competition period after such termination or ending of employment.

On January 24, 2014, the Ministry of Human Resources and Social Security promulgated Interim Provisions on Labor Dispatching, or Circular 22, effective from March 1, 2014, which provides that an employer shall strictly control the number of employees under labor dispatching arrangements and dispatched employees can only be used in temporary, ancillary and replaceable positions. The number of dispatched workers used by an employer shall be reduced to no more than 10% of the total number of its employees within two years after March 1, 2014. If the employer fails to reduce the number of dispatched employees as required by Circular 22 and could not correct its practice after receiving warnings from government authority, the employer may be subject to a fine ranging from RMB1,000 to RMB5,000 per dispatched employee.

Regulation on PRC Business Tax and VAT

Prior to January 1, 2012, pursuant to the Provisional Regulation of China on Business Tax and its Implementing Rules, an entity or individual rendering services in China were generally subject to a business tax at the rate of 5% on revenues generated from the provision of such services. Since January 1, 2012, the MOF and the SAT have started to implement the VAT Pilot Program, which imposes VAT in lieu of business tax for certain industries in Shanghai. Since August 1, 2012, the VAT Pilot Program has been expanded to and implemented in other regions, including Beijing, Tianjin, Jiangsu, Zhejiang, Anhui, Fujian, Hubei and Guangdong. On May 24, 2013, the MOF and the SAT jointly issued Notice 37, which expanded the VAT Pilot Program nationwide starting on August 1, 2013. On December 12, 2013, the MOF and the SAT jointly issued Notice 106, effective on January 1, 2014, which replaced Notice 37 and improved some tax policies in the VAT Pilot Program. From May 1, 2016, the VAT was expanded to all business tax taxpayers and until November 19, 2017, the State Council promulgated Decision of the State Council on Abolishing the Provisional Regulations on Business Tax of the PRC and Amending the Provisional Regulations on Value-Added Tax of the PRC. As a result of the VAT, an entity or individual rendering services in China is subject to VAT at the rate of 17%, 11% or 6%, as applicable. According to the Notice of the Ministry of Finance and the SAT on Adjusting Value added Tax Rates, issued on April 4, 2018, and became effective on May 1, 2018, the value-added tax rates of 17%, 11% or 6% applicable to the taxpayers who render services are adjusted to 16%, 10% or 6% respectively. According to the Notice of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform, issued on March 20, 2019, and became effective on April 1, 2019, such value added tax rate was reduced to 13%, 9% or 6%, respectively.

Regulations on PRC Enterprise Income Tax Cyber Security and Data Protection Laws in Hong Kong

Hong Kong's legal framework concerning cyber security is multifaceted and comprehensive, aiming to protect individuals' data and penalize illicit activities. The PRC enterprise income tax is calculated based on the taxable income determined under the PRC primary laws and accounting standards. On March 16, 2007 regulations include the Personal Data (Privacy) Ordinance ("PDPO"), the National People's Congress Unsolicited Electronic Messages Ordinance, the Interception of China enacted a new Enterprise Income Tax Law Communications and Surveillance Ordinance, and the Official Secrets Ordinance. These laws govern the collection, use, and protection of personal data, the PRC, which became effective on January 1, 2008 sending of unsolicited electronic messages, the interception of communications and amended use of surveillance devices by public officers, and the Enterprise Income Tax Law unauthorized obtaining or disclosure of the PRC on December 29, 2018. On December 6, 2007, the State Council promulgated the Implementation Rules official information, respectively. Regulatory actions can have significant implications for businesses, and may result in hefty fines, damage to the Enterprise Income Tax Law reputation, and loss of the PRC, or the Implementation Rules, which also became effective on January 1, 2008 and amended the Implementation Rules to the Enterprise Income Tax Law of the PRC on April 23, 2019. On December 26, 2007, the State Council issued the Notice on Implementation of Enterprise Income Tax Transition Preferential Policy under the Enterprise Income Tax Law of the PRC, or the Transition Preferential Policy Circular, which became effective simultaneously with the Enterprise Income Tax Law of the PRC. On October 17, 2017, the State Administration of Taxation promulgated the Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, which became effective on December 1, 2017 and amended Withholding at Source of Income Tax of Non-resident Enterprises on June 15, 2018. The Enterprise Income Tax Law of the PRC imposes a uniform enterprise income tax rate of 25% on all domestic enterprises, including foreign-invested enterprises unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations. business opportunities.

Moreover, under the Enterprise Income Tax Law of the PRC, enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Implementation Rules define the term "de facto management body" as the management body that exercises full and substantial control and overall management over the As holding vehicles, our Hong Kong subsidiaries do not engage in any business productions, personnel, accounts and properties of an enterprise. In addition, the Circular Related to Relevant Issues on the Identification of a Chinese holding Company Incorporated Overseas as a Residential Enterprise under the Criterion of De Facto Management Bodies Recognizing issued by the State Administration of Taxation on April 22, 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with its "de facto management bodies" located within China if the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations, function mainly in China; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) its major assets, accounting books, company seals and minutes and files of its board and shareholders' meetings are located or kept in China; and (iv) more than half of the enterprise's directors or senior management with voting rights reside in China. Although the circular only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals or foreigners, the determining criteria set forth in the circular may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether nor do they are controlled by PRC enterprises, individuals or foreigners. handle any personal data.

Regulations on Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, which was most recently amended in August 2008. Under the PRC Foreign Exchange Administration Regulations, Renminbi is freely convertible for payments of current account items, such as distribution of dividends, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE. In contrast, approval from or registration with appropriate government authorities is required where Renminbi is to convert into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In November 2012, SAFE promulgated the Circular on Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, or Circular on Improving and Adjusting Foreign Exchange Policies, which was latest amended on December 30, 2019. Circular on Improving and Adjusting Foreign Exchange Policies substantially amends and simplifies the foreign exchange procedure. Pursuant to Circular on Improving and Adjusting Foreign Exchange Policies, the opening of various foreign exchange accounts for designated purposes, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of Renminbi proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by foreign-invested enterprises to their foreign shareholders, no longer require approval or verification from SAFE, and the same entity may open multiple capital accounts in different provinces.

On May 10, 2013, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration Over Domestic Direct Investment by Foreign Investors and the Supporting Documents, which specifies that the administration by SAFE or its local branches over foreign direct investment in the PRC shall be conducted by way of registration. Institutions and individuals shall register with SAFE and/or its branches for their direct investment in China. Banks shall process foreign exchange business relating to the direct investment in China based on the registration information provided by SAFE and its branches.

In February 2015, SAFE promulgated the Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, or Circular 13, which became effective on June 1, 2015 and was amended on December 30, 2019. Upon the implementation of Circular 13, the current foreign exchange procedures will be further simplified, foreign exchange registrations of direct investment will be handled by designated foreign exchange settlement banks instead of SAFE and its branches.

On March 30, 2015, SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (“SAFE Circular 19”), which became effective on June 1, 2015 and was amended on December 30, 2019. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or elect to follow the “conversion-at-will” regime of foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will regime of foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its RMB registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. Nevertheless, foreign-invested enterprises are still not allowed to extend intercompany loans to PRC consolidated entities. In addition, as Circular 19 was promulgated recently, there remain substantial uncertainties with respect to the interpretation and implementation of this circular by relevant authorities.

On June 9, 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (“Circular 16”), which became effective simultaneously. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to RMB on self-discretionary basis. Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purpose beyond its business scope or prohibited by PRC Laws or regulations, while such converted RMB shall not be provide as loans to its non-affiliated entities.

On January 26, 2017, SAFE issued the Notice of State Administration of Foreign Exchange on Improving the Check of Authenticity and Compliance to further Promote Foreign Exchange Control, or SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks must check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities must hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Regulations on Dividend Distribution

The principal regulations governing dividend distributions of wholly foreign-owned companies include:

- Foreign Investment Law of the PRC, effective as of January 1, 2020;
- Regulations for Implementation the Foreign Investment Law of the PRC, effective as of January 1, 2020;
- Company Law of the PRC, as amended on October 26, 2018;
- Enterprise Income Tax Law of the PRC, effective as of March 16, 2007, as amended on December 29, 2018;
- Regulations on the Implementation of the Enterprise Income Tax Law of the PRC, effective as of December 6, 2007, as amended on April 23, 2019.

Under these laws and regulations, wholly foreign-owned companies in China may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, these wholly foreign-owned companies are required to set aside no less than 10% of the after-tax profits, if any, to fund certain reserve funds, until the accumulative amount of such fund reaches 50% of its registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. At the discretion of these wholly foreign-owned companies, they may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Regulations on Employee Share Incentive Plans of Overseas Publicly-listed Company

In February 2012, SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration over Involvement of Domestic Individuals in Equity Incentive Plans of Overseas Listed Companies, or the 2012 SAFE Notice. Under such notice and other relevant rules and regulations, PRC residents, including PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, that participate in any share incentive plan of any overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a share incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plan on behalf of the participants. We and our executive officers and other employees who are PRC residents that have been granted share incentive awards will be subject to these regulations upon the completion of this offering. Failure by these individuals to complete their SAFE registrations may subject such individuals and us to fines and other legal sanctions.

The SAT has issued certain circulars concerning employee share incentive awards. Under these circulars, our employees working in China who exercise share incentive awards will be subject to PRC individual income tax. Our PRC subsidiary has the obligation to make filings related to employee share incentive awards with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share incentive awards. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

Regulations on Offshore Investment by PRC Residents

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round Trip Investment via Overseas Special Purpose Companies and its subsequent amendments, supplements or implementation rules, or SAFE Circular 75, issued on October 21, 2005, a PRC resident (whether a natural person or legal persons) shall register with the local branch of the SAFE before it establishes or controls an overseas SPV, with assets or equity interests in a PRC company, for the purpose of overseas equity financing. On July 4, 2014, SAFE issued the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Outbound Investment and Financing and Inbound Investment via Special Purpose Vehicles ("SPV"), or SAFE Circular 37, which has superseded SAFE Circular 75. According to SAFE Circular 37, the PRC domestic resident shall apply for SAFE registration for overseas investment before paying capital to SPV by using his, her or its legal assets whether overseas or domestic. The SPV is defined as "offshore enterprise directly established or indirectly controlled by the domestic residents (including domestic institutions and individuals) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of offshore investment and financing". In addition, in the event that the SPV undergoes changes of its basic information such as the individual shareholder, name, operation term, etc., or material events including increase or decrease by domestic individual shareholder in investment amount, equity transfer or swap, merge, spinoff, etc., the domestic resident shall timely complete the change of foreign exchange registration formality for offshore investment.

According to SAFE Circular 37, failure to make such registration or truthfully disclose actual controllers of the round-trip enterprises may subject PRC residents to fines up to RMB300,000 in case of domestic institutions or RMB50,000 in case of domestic individuals. If the registered or beneficial shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiary may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiary. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for violating applicable foreign exchange restrictions.

Regulations on Cross-border Direct Investment in Renminbi

On October 12, 2011, MOFCOM issued the Notice of the Ministry of Commerce on Issues concerning Cross border Direct Investment in Renminbi which was abolished in 2013 and on December 3, 2013 the MOFCOM promulgated the Announcement on Issues relating to Cross-border Direct Investment in RMB, effective from January 1, 2014. Under this announcement, the "cross-border direct investment in RMB" shall refer to the direct investment activities conducted by foreign investors (including the investors from Hong Kong, Macau and Taiwan) in China with offshore RMB funds obtained legally, including, among other things, the establishment of new enterprises, increase of capital, shareholding or merger and acquisition of domestic enterprises. The cross-border direct investment in RMB by a foreign investor or reinvestment by its foreign-invested enterprise shall conform to the requirements of laws, regulations and relevant provisions on foreign investment and comply with the foreign investment industry policies of China and the provisions on security review of foreign investment mergers and acquisitions and anti-monopoly review. No foreign-invested enterprise is allowed to use the funds of cross-border direct investment in RMB for investment, directly or indirectly, in negotiable securities and financial derivatives in China (except for strategic investment in listed companies) or for entrusted loans. On October 13, 2011, the PBOC issued the Management Rules on the Settlement of Foreign Direct Invested Renminbi, which provide those foreign invested enterprises with RMB-dominated foreign direct investment must register with the PBOC or its local branch after obtaining the permit from MOFCOM and the business license. The Management Rules on the Settlement of Foreign Direct Invested Renminbi was amended on June 5, 2015.

Regulations on Intellectual Property Rights

China has adopted comprehensive legislation governing intellectual property rights, including copyright, trademark, patents and domain names.

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright. Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law and related rules and regulations, which become effective in 2010 and was last amended on November 11, 2020. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

Patent. The Patent Law, which became effective in 2009 and was amended on October 17, 2020, provides for patentable inventions, utility models and designs. An invention or utility model for which patents may be granted must have novelty, creativity and practical applicability. The State Intellectual Property Office under the State Council is responsible for examining and approving patent applications.

Trademark. The Trademark Law, which became effective in 2014 and was amended on April 23, 2019, and its implementation rules protect registered trademarks. The Trademark Office of the State Administration for Industry & Commerce is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration.

Domain Name. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names. Domain names are protected under the Administrative Measures on the Internet Domain Names, promulgated by the MIIT on August 16, 2017 and took effect on November 1, 2017. The measure has adopted a “first-to-file” principle with respect to the registration of domain names.

Enforceability

BAIYU Holdings, Inc. is a Delaware holding company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted through our PRC subsidiaries and the VIE in China. In addition of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to enforce in U.S. courts of the judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors as none of them currently resides in the United States or has substantial assets located in the United States. See “Risk Factors — Certain judgments obtained against us by our shareholders may not be enforceable.”

There is uncertainty as to whether the courts of China would (i) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or (ii) entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States. The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the jurisdiction where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other form of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against us in the PRC for disputes if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit. The case is within the scope of civil actions accepted by the people’s courts and under the jurisdiction of the people’s court in which the action is instituted. However, it will be difficult for U.S. shareholders to originate actions against us in China in accordance with PRC laws because we are incorporated under the laws of the state of Delaware and it will be difficult for U.S. shareholders to establish a connection to the PRC for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law.

We do have a holding company in Hong Kong. We also have a management member who is Hong Kong residents and reside within Hong Kong for a significant portion of the time. You may incur additional costs and procedural obstacles in effecting service of legal process, enforcing foreign judgments or bringing actions in Hong Kong against us or our management named in the prospectus, as judgments entered in the U.S. can be enforced in Hong Kong only at common law. If you want to enforce a judgment of the U.S. in Hong Kong, it must be a final judgment conclusive upon the merits of the claim, for a liquidated amount in a civil matter and not in respect of taxes, fines, penalties, or similar charges, the proceedings in which the judgment was obtained were not contrary to natural justice, and the enforcement of the judgment is not contrary to public policy of Hong Kong. Such a judgment must be for a fixed sum and must also come from a “competent” court as determined by the private international law rules applied by the Hong Kong courts. Furthermore, foreign judgments of the U.S. courts will not be directly enforced in Hong Kong as there are currently no treaties or other arrangements providing for reciprocal enforcement of foreign judgments between Hong Kong and the U.S. However, the common law permits an action to be brought upon a foreign judgment. That is to say, a foreign judgment itself may form the basis of a cause of action since the judgment may be regarded as creating a debt between the parties to it. In a common law action for enforcement of a foreign judgment in Hong Kong, the enforcement is subject to various conditions, including but not limited to, that the foreign judgment is a final judgment conclusive upon the merits of the claim, the judgment is for a liquidated amount in civil matter and not in respect of taxes, fines, penalties, or similar charges, the proceedings in which the judgment was obtained were not contrary to natural justice, and the enforcement of the judgment is not contrary to public policy of Hong Kong. Such a judgment must be for a fixed sum and must also come from a “competent” court as determined by the private international law rules applied by the Hong Kong courts. The defenses that are available to a defendant in a common law action brought on the basis of a foreign judgment include lack of jurisdiction, breach of natural justice, fraud, and contrary to public policy. However, a separate legal action for debt must be commenced in Hong Kong in order to recover such debt from the judgment debtor. As a result, subject to the conditions with regard to enforcement of judgments of United States courts being met, including but not limited to the above, a foreign judgment of United States of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any State or territory within the U.S. could be enforceable in Hong Kong. See “Risk Factors — Certain judgments obtained against us by our shareholders may not be enforceable.”

Intracompany Cash Transfer

BAIYU Holdings, Inc. (formerly “TD Holdings, Inc.”), our holding company, or the Parent, may transfer cash to our offshore intermediary holding entities in the British Virgin Island and Hong Kong and their respective subsidiaries, through capital injections and intra-group loans. Our offshore intermediary holding entities, in turn, may transfer cash to our PRC subsidiaries through capital injections and intra-group loans. Similarly, our PRC subsidiaries may in turn transfer cash to their respective subsidiaries in the PRC through capital injections and intra-group loans. Cash may also be transferred through our organization by way of intra-group transactions. If our wholly owned subsidiaries in the PRC realize accumulated after-tax profits, they may, upon satisfaction of relevant statutory conditions and procedures, pay dividends or distribute earnings to our offshore intermediary holding entities, which, in turn, may transfer cash to the Parent through dividends or other distributions. With necessary funds, the Parent may pay dividends or make other distributions to U.S. investors and service any debt it may have incurred outside of the PRC. No assets other than cash were transferred between the Parent and a subsidiary, no subsidiaries paid dividends or made other distributions to the Parent, and no dividends or distributions were paid or made to U.S. investors. The Company and its subsidiaries currently do not have a cash management policy in place. In 2022 and 2023, the Parent transferred cash in the amount of US\$2.3 million and nil, respectively, to our PRC subsidiaries through our offshore intermediary holding entities by way of capital contribution to the PRC subsidiaries.

Under PRC laws and regulations, we are subject to restrictions on foreign exchange and cross-border cash transfers, including to U.S. investors. Our ability to distribute earnings to the holding company and U.S. investors is also limited. As such, to the extent cash in the business is in the mainland PRC or Hong Kong or a PRC or Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC or Hong Kong due to restrictions and limitations on the ability of the Company or our subsidiaries by the PRC government to transfer cash. We are a Delaware holding company and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. When any of our PRC subsidiaries incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, each of our PRC subsidiaries may pay dividends only out of its respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a PRC enterprise is required to set aside at least 10% of its after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. At its discretion, a PRC enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to a staff welfare and bonus fund. These reserve fund and staff welfare and bonus fund cannot be distributed to us as dividends. In addition, our PRC subsidiaries generate their revenue primarily in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to pay dividends to us. See “Risk Factor — Risks Related to Doing Business in China — Regulations relating to offshore investment activities by PRC residents may limit our ability to acquire PRC companies and could adversely affect our business”, “Risk Factors — Risks Related to Doing Business in China — PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business”, “Risk Factors — Risks Related to Doing Business in China — To the extent cash in the business is in the mainland PRC or Hong Kong or a PRC or Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of restrictions and limitations under the PRC laws and regulations.”

Executive Officers and Directors

The following table sets forth certain information concerning our executive officers, key employees, and directors:

Name	Age	Position
Renmei Ouyang	56	Chief Executive Officer, President and Chairwoman of the Board
Wenhao Cui	34	Chief Financial Officer, Director
Xiangjun Wang	51	Director
Heung Ming (Henry) Wong	54	Director
Donghong Xiong	56	Director

Our executive officers, including our Chief Executive Officer and Chief Financial Officer, and all of our directors reside within mainland China and/or Hong Kong or spend significant amounts of time in mainland China and/or Hong Kong. As a result, it may not be possible to effect service of process upon these persons, to obtain information from such persons necessary for investigations or lawsuits, or to bring lawsuits or enforcement actions or enforce judgments against such persons. For more information, see “Item 1A. Risk Factors—Risks Related to Doing Business in China— Certain judgments obtained against us by our shareholders may not be enforceable.”

Available Information

We file or furnish periodic reports and amendments thereto, including our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, proxy statements and other information with the Securities and Exchange Commission (“SEC”). In addition, the SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically. Our website is located at www.tdglg.com, baiyuglobal.com, and our reports, amendments thereto, proxy statements and other information are also made available, free of charge, on our website at www.tdglg.com baiyuglobal.com as soon as reasonably practicable after we electronically file or furnish such information with the SEC. The information posted on our website is not incorporated by reference into this Annual Report on Form 10-K.

Item 1A. RISK FACTORS

You should carefully consider the following material risk factors and other information in this report. All the operational risks associated with being based in and having operations in mainland China also apply to our operations in Hong Kong. With respect to the legal risks associated with being based in and having operations in China as discussed in relevant risk factors, the laws, regulations and the discretion of China governmental authorities discussed in this annual report are expected to apply to PRC entities and businesses, rather than entities or businesses in Hong Kong which operate under a different set of laws from mainland China. If any of the following risks actually occur, our business, financial condition, results of operations and prospects for growth could be seriously impacted. As a result, the trading price, if any, of our Common Stock could decline and you could lose part or all of your investment.

Summary of Risk Factors

The following summary description sets forth an overview of the material risks we are exposed to in the normal course of our business activities. The summary does not purport to be complete and is qualified in its entirety by reference to the full risk factor discussion immediately following this summary description. We encourage you to read the full risk factor discussion carefully. Our business, results of operations and financial condition could be materially and adversely affected by any of the following material risks. For details of each of these bulleted risk factors, please see discussions below under the same subheadings:

Risks Related to Doing Business in China (for a more detailed discussion, see “Risk Factors — Risks Related to Doing Business in China” beginning on page 33 of this report)

We face risks and uncertainties relating to doing business in China in general, including, but not limited to, the following:

- We are a Delaware holding company that conducts its operations and operates its business in China through its PRC subsidiaries and variable interest entity. The Chinese regulatory authorities may disallow our holding structure or exert further control over our activities.
- If the PRC government deems that the contractual arrangements in relation to the VIE do not comply with PRC regulations on foreign investment, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to penalties, or be forced to relinquish our interests in the operations of the VIE, which would materially and adversely affect our business, financial results, trading prices of our common stock.
- The contractual arrangements with the VIE and its shareholder may be less effective than direct ownership in providing operational control.
- We face uncertainty with respect to the enforceability of the contractual arrangements with the VIE and its shareholder, and any failure by the VIE or its shareholder to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.
- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.
- A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business and our financial condition.
- Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.
- U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China.
- The PRC government's significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our common stock.
- The PRC government has the ability to exert substantial supervision over any offering or listing of securities conducted overseas and/or foreign investment in China-based issuers, and, as a result, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless.
- The Holding Foreign Companies Accountable Act, recent regulatory actions taken by the SEC and PCAOB, and proposed rule changes submitted by U.S. stock exchanges calling for additional and more stringent criteria to be applied to China-based public companies could add uncertainties to our capital raising activities and compliance costs.
- We are subject to a variety of laws and regulations regarding cybersecurity and data protection, and any failure to comply with applicable laws and regulations, including improper use or appropriation of personal information provided directly or indirectly by our customers or end users, could have a material adverse effect on our business, financial condition and results of operations.
- Regulatory uncertainties relating to, or failure to comply with, anti-monopoly and competition laws could adversely affect our business, financial condition, or operating results.
- Certain judgments obtained against us by our shareholders may not be enforceable.
- Uncertainties with respect to the PRC legal system, including uncertainties regarding the interpretation and enforcement of laws, and sudden or unexpected changes in PRC laws and regulations with little advance notice could adversely affect us and limit the legal protections available to you and us, and the Chinese government may exert more oversight and control over offerings that are conducted overseas, which changes could materially hinder our ability to offer or continue to offer our securities, and cause the value of our securities to significantly decline or become worthless.
- The failure to comply with PRC regulations relating to mergers and acquisitions of domestic enterprises by offshore Special Purpose Vehicle (SPV) may subject us to severe fines or penalties and create other regulatory uncertainties regarding our corporate structure.

- Regulations relating to offshore investment activities by PRC residents may limit our ability to acquire PRC companies and could adversely affect our business.
- PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds from our subsequent offerings to make loans or additional capital contributions to our PRC subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.
- To the extent cash in the business is in the mainland PRC or Hong Kong or a PRC or Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of restrictions and limitations under the PRC laws and regulations.
- If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Risk Factors Related to Our Business and Industry (for a more detailed discussion, see “Risk Factors — Risk Factors Related to Our Business and Industry” beginning on page 49 of this report)

Risks and uncertainties related to our business and industry include, but are not limited to, the following:

- There is no assurance that we will be able to manage the commodities trading business effectively.
- Investment in our new line of business could disrupt the Company’s ongoing business and present risks not originally contemplated.
- We may not be able to ensure the successful implementation of our strategy to diversify our businesses.
- Our success depends substantially upon the continued retention of our senior management.
- Our business depends on adequate supply and availability of nonferrous metal commodities.
- A decline in our key business sectors or a reduction in consumer demand generally could have a material adverse effect on our business.
- We operate in a business that is cyclical and where demand can be volatile, which could have a material adverse effect on our business, financial condition or results of operations.

Risk Factors Related to Our General Operations (for a more detailed discussion, see “Risk Factors — Risk Factors Related to Our General Operations” beginning on page 50 of this report)

Risks related to our general operations include, but are not limited to, the following:

- The current geographic concentration where we provide services creates an exposure to local economies, regional downturns or severe weather or catastrophic occurrences that may materially adversely affect our financial condition and results of operations.
- Our failure to maintain a reputation of integrity and to otherwise maintain and enhance our brand could adversely affect our business and results of operations.
- Failure to adequately protect our intellectual property, technology and confidential information could harm our business and operating results.
- We may be subject to claims asserting that our employees, consultants or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employees or claims asserting ownership of what we regard as our own intellectual property.
- We may in the future be subject to intellectual property disputes, which are costly to defend and could harm our business and operating results.
- We may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, they could have a material adverse effect on our business, results of operations and financial condition.
- Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

Risks Related to Ownership of our Common Stock (for a more detailed discussion, see “Risk Factors — Risks Related to Ownership of our Common Stock” beginning on page 53 of this report)

- We may not meet certain of Nasdaq Capital Market’s continued listing requirements and other Nasdaq rules. If we are unable to regain compliance, we are likely to be delisted. Delisting could negatively affect the price of our common stock, which could make it more difficult for us to sell securities in a future financing or for you to sell our common stock.
- We do not expect to declare or pay dividends in the foreseeable future.
- Future issuances of our common stock or securities convertible into, or exercisable or exchangeable for, our common stock (“Securities”), or the expiration of lock-up agreements that restrict the issuance of new common stock or the trading of outstanding common stock, could cause the market price of our common stock to decline and would result in the dilution of your holdings.
- Our common stock may be thinly traded and our stockholders may be unable to sell at or near ask prices or at all if they need to sell their shares to raise money or otherwise desire to liquidate their shares.
- Volatility in our common stock price may subject us to securities litigation.
- Provisions in our by-laws and Delaware laws might discourage, delay or prevent a change of control of our Company or changes in our management and, therefore, depress the trading price of our common stock.
- We have identified material weaknesses in our internal control over financial reporting, and we cannot provide assurances that these weaknesses will be effectively remediated or that additional material weaknesses will not occur in the future. If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and which may lead to a decline in our stock price.

General Risk Factors (for a more detailed discussion, see “Risk Factors — General Risk Factors” beginning on page 56 of this report)

General risk factors include, but are not limited to, the following:

- Our business, results of operations and financial condition may be adversely affected by global public health epidemics, including the strain of coronavirus known as COVID-19.
- The elimination of monetary liability against our directors, officers and employees under our certificate of incorporation and the existence of indemnification of our directors, officers and employees under Delaware law may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.
- We expect that we will require additional debt and equity capital to pursue our business objectives and respond to business opportunities, challenges and/or unforeseen circumstances. If such capital is not available to us, or is not available on favorable terms, our business, operating results and financial condition may be harmed.
- Increasing scrutiny and changing expectations from investors, lenders, customers, and other market participants with respect to our Environmental, Social and Governance (“ESG”) policies and activities may impose additional costs on us or expose us to additional risks.
- Our business could be negatively impacted by the inflationary pressures which may decrease our operating margins and increase working capital investments required to operate our business.
- Our information systems or data, or those of our service providers or customers or users could be subject to cyber-attacks or other security incidents, which could result in data breaches, intellectual property theft, claims, litigation, regulatory investigations, significant liability, reputational damage and other adverse consequences.

Risks Related to Doing Business in China

We are a Delaware holding company that conducts its operations and operates its business in China through its PRC subsidiaries and variable interest entity. The Chinese regulatory authorities may disallow our holding structure or exert further control over our activities.

We are not a Chinese operating company; instead, we are a Delaware holding company that conducts our operations and operates its business in China through our PRC subsidiaries and variable interest entity. Such structure involves unique risks to our investors. The Chinese government may disallow the Company's current holding structure or determine that the contractual arrangements constituting part of the VIE are not compliant with PRC regulations, or that regulations could be changed or interpreted differently in the future, each of which could result in a material change in our operations and materially and adversely affect the value of shares of our common stock or our other securities and could cause the value of our shares or other securities to significantly decline or become worthless. Should the PRC government determine that the VIE structure is inconsistent with the laws and regulations of China, it may result in our inability to assert contractual control over the assets of our PRC subsidiaries or the VIE that conduct all or substantially all our operations.

Furthermore, the Chinese regulatory authorities may intervene in or influence the operation of PRC subsidiaries and exercise significant oversight and discretion over the conduct of their business or may exert more control over offerings conducted overseas by, and/or foreign investment in, China-based issuers, which could result in a material change in our operations and/or the value of our common stock. Further, rules and regulations in China may be changed from time to time, and any actions by the Chinese government to exert more oversight and supervision over offerings that are conducted overseas by, and/or foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

If the PRC government deems that the contractual arrangements in relation to the VIE do not comply with PRC regulations on foreign investment, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to penalties, or be forced to relinquish our interests in the operations of the VIE, which would materially and adversely affect our business, financial results, trading prices of our common stock.

We have entered into certain contractual arrangements with a variable interest entity, Tongdow Internet Technology, which contracts consist of (i) the Exclusive Business Cooperation Agreement, (ii) the Share Pledge Agreement, (iii) the Exclusive Option Agreement, (iv) the POA, and (v) the Reporting Agreement. See "Our Company — Our Business — VIE Agreements."

BAIYU and its shareholders do not own any equity interests in Tongdow Internet Technology. The VIE contractual arrangements with Tongdow Internet Technology and its equity holder enable BAIYU to consolidate the financial statements of the VIE and its subsidiaries under U.S. GAAP and to be regarded as the primary beneficiary of the VIEs for accounting purposes, and enable us to obtain substantially all of the economic benefits arising from Tongdow Internet Technology. Although we believe the structure we have adopted is consistent with longstanding industry practice, the PRC government may not agree that these arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future.

If we or Tongdow Internet Technology are found to be in violation of any existing or future PRC laws, rules or regulations, or fail to obtain or maintain any of the required permits or approvals, we could be subject to severe penalties. The relevant PRC regulatory authorities would have broad discretion to take action in dealing with these violations or failures, including revoking the business and operating licenses of our PRC subsidiary or Tongdow Internet Technology, requiring us to discontinue or restrict our operations, restricting our right to collect revenue, blocking one or more of our websites, requiring us to restructure our operations or taking other regulatory or enforcement actions against us. The imposition of any of these measures could result in a material adverse effect on our ability to conduct all or any portion of our business operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of Tongdow Internet Technology in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of Tongdow Internet Technology or otherwise separate from the entity and if we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of Tongdow Internet Technology in our consolidated financial statements. Any of these events would have a material adverse effect on our business, financial condition and results of operations.

The contractual arrangements with the VIE and its shareholder may be less effective than direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with the VIE and its shareholder to conduct our operations in China. These contractual arrangements, however, may be less effective than direct ownership in providing us with operational control over the VIE. For instance, the VIE and its shareholder could breach their contractual arrangements with us by, among other things, failing to conduct the operations of the VIE in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of the VIE in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the VIE, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by the VIE and its shareholder of their obligations under the contracts to direct the VIE's activities. The shareholder of the VIE may not act in the best interests of our company or may not perform its obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See "— We face uncertainty with respect to the enforceability of the contractual arrangements with the VIE and its shareholder, and any failure by the VIE or its shareholder to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business."

We face uncertainty with respect to the enforceability of the contractual arrangements with the VIE and its shareholder, and any failure by the VIE or its shareholder to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.

If the VIE or its shareholder fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For instance, if the shareholder of the VIE were to refuse to transfer its equity interests in the VIE to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations. In addition, if any third parties claim any interest in such shareholder's equity interests in the VIE, our ability to exercise shareholder's rights or foreclose the share pledge according to the contractual arrangements may be impaired. If these or other disputes between the shareholder of the VIE and third parties were to impair our contractual control over the VIE, our ability to consolidate the financial results of the VIE would be affected, which would in turn result in a material adverse effect on our business, operations and financial condition.

All the agreements under our contractual arrangements with the VIE are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. As of the date of this report, the agreements under the contractual arrangements with the VIE have not been tested in a court of law. However, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective contractual control over the VIE, and our ability to conduct our business may be negatively affected. See "— Risks Related to Doing Business in China — Uncertainties with respect to the PRC legal system, including uncertainties regarding the interpretation and enforcement of laws, and sudden or unexpected changes of PRC laws and regulations with little advance notice could adversely affect us and limit the legal protections available to you and us, and the Chinese government may exert more oversight and control over offerings that are conducted overseas, which changes could materially hinder our ability to offer or continue to offer our securities, and cause the value of our securities to significantly decline or become worthless."

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

Substantially all of our assets and operations are located in the PRC. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in the PRC generally. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, development, growth rate, management of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant regulation over the PRC's economic growth through allocating resources, managing payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions in the PRC, in the policies of the Chinese government or in the laws and regulations in the PRC could have a material adverse effect on the overall economic growth of the PRC. Such developments could adversely affect our business and operating results, lead to a reduction in demand for our services and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government management over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustment, to adjust the pace of economic growth. These measures may cause decreased economic activity in the PRC, which may adversely affect our business and operating results.

A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business and our financial condition.

Although the Chinese economy has grown steadily in the past decade, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the People's Bank of China and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in volatility in oil and other markets. There have also been concerns on the relationship among China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition. Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. It is difficult to predict how long such appreciation of Renminbi against the U.S. dollar may last and when and how the relationship between the Renminbi and the U.S. dollar may change again. All of our revenues and substantially all of our costs are denominated in Renminbi. We are a Delaware holding company and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. Any significant revaluation of Renminbi may materially and adversely affect our results of operations and financial position reported in Renminbi when translated into U.S. dollars, and the value of, and any dividends payable on, the common stock in U.S. dollars. To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our common stock or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount.

U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China.

Any disclosure of documents or information located in China by foreign agencies may be subject to jurisdiction constraints and must comply with China's state secrecy laws, which broadly define the scope of "state secrets" to include matters involving economic interests and technologies. There is no guarantee that requests from U.S. federal or state regulators or agencies to investigate or inspect our operations will be honored by us, by entities who provide services to us or with whom we associate, without violating PRC legal requirements, especially as those entities are located in China. Furthermore, under the current PRC laws, an on-site inspection of our facilities by any of these regulators may be limited or prohibited.

The PRC government's significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our common stock.

We conduct our business primarily through our PRC subsidiaries. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation, and our shares of stock may decline in value or become worthless. Also, the PRC government has recently indicated an intent to exert more oversight and supervision over offerings that are conducted overseas and foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. In addition, implementation of industry-wide regulations directly targeting our industry or our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face PRC regulatory uncertainty that may materially and adversely affect our business and operations and the value of our shares.

The PRC government has the ability to exert substantial supervision over any offering or listing of securities conducted overseas and/or foreign investment in China-based issuers, and, as a result, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless.

The PRC government recently initiated a series of regulatory actions and statements to regulate business operations in China, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using the variable interest entity structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement.

On February 17, 2023, the CSRC released the Trial Administrative Measures for Administration of Overseas Securities Offerings and Listings by Domestic Companies (the "Trial Measures") and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three (3) working days after the offering is completed, which may subject us to additional compliance requirements in the future, and we cannot assure you that we will be able to get the clearance of filing procedures under the Trial Measures on a timely basis, or at all. If a domestic company fails to complete the filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties by the CSRC, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

As of the date of this report, none of the Company, our PRC subsidiaries, have received any filing or compliance requirements from CSRC for the listing at Nasdaq and all of its overseas offerings. As the Trial Measures were only enacted recently, there remains uncertainty as to the interpretation and implementation of the Trial Measures and the supporting guidelines, including but not limited to the interpretation of the concept "substance over form", as well as other PRC regulatory requirements related to overseas securities offerings and other capital markets activities; thus, we cannot assure you that the relevant Chinese regulatory authorities, including the CSRC, would reach the same conclusion as us.

On February 24, 2023, the CSRC and other PRC governmental authorities jointly issued the revised Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (the "Revised Confidentiality Provisions"), which came into effect on March 31, 2023. According to the Revised Confidentiality Provisions, Chinese companies that directly or indirectly conduct overseas offerings and listings, shall strictly abide by the laws and regulations on confidentiality when providing or publicly disclosing, either directly or through their overseas listed entities, materials to securities services providers. In the event such materials contain state secrets or working secrets of government agencies, the Chinese companies shall first obtain approval from authorities, and file with the secrecy administrative department at the same level with the approving authority; in the event that such materials, if divulged, will jeopardize national security or public interest, the Chinese companies shall comply with procedures stipulated by national regulations. The Chinese companies shall also provide a written statement of the specific sensitive information provided when providing materials to securities service providers, and such written statements shall be retained for inspection. As the Revised Confidentiality Provisions were recently promulgated, their interpretation and implementation remain substantially uncertain.

As of the date of this report, we have not received any inquiry, notice, warning, or sanctions from CSRC or other Chinese governmental authorities. If the CSRC or other PRC governmental authorities later promulgate new rules or interpretations requiring that we obtain their approval for future offerings or listings outside of mainland China or for foreign investments in our securities, we may be unable to obtain such approvals in a timely manner, or at all. Any such circumstance could significantly or completely limit our ability to raise capital through securities offerings, hinder our ability to execute strategic plans in a timely manner or at all, and could cause the value of our securities to significantly decline.

The Holding Foreign Companies Accountable Act, recent regulatory actions taken by the SEC and PCAOB, and proposed rule changes submitted by U.S. stock exchanges calling for additional and more stringent criteria to be applied to China-based public companies could add uncertainties to our capital raising activities and compliance costs.

Pursuant to the Holding Foreign Companies Accountable Act (the “**HFCAA**”), if the Public Company Accounting Oversight Board (the “**PCAOB**”), is unable to inspect an issuer’s auditors for three consecutive years, the issuer’s securities are prohibited to trade on a U.S. stock exchange. The PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People’s Republic of China because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. Furthermore, the PCAOB’s report identified the specific registered public accounting firms which are subject to these determinations. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, legislation entitled “Consolidated Appropriations Act, 2023” (the “**Consolidated Appropriations Act**”) was signed into law by President Biden, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act and amended the HFCAA by requiring the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading. On August 26, 2022, the PCAOB announced that it had signed a SOP with the CSRC and the Ministry of Finance of China. The SOP Agreements establishes a specific, accountable framework to make possible complete inspections and investigations by the PCAOB of audit firms based in mainland China and Hong Kong, as required under U.S. law. On December 15, 2022, the PCAOB announced that it was able to secure complete access to inspect and investigate PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong completely in 2022. The PCAOB Board vacated its previous 2021 determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainties and depends on a number of factors out of our and our auditor’s control. The PCAOB continues to demand complete access in mainland China and Hong Kong moving forward and is making plans to resume regular inspections in early 2023 and beyond, as well as to continue pursuing ongoing investigations and initiate new investigations as needed. The PCAOB has also indicated that it will act immediately to consider the need to issue new determinations with the HFCAA if needed.

Each of Audit Alliance LLP, our previous auditor, and Enrome LLP, our current auditor, is based in Singapore and is registered with PCAOB and subject to PCAOB inspection. As of the date of this report, neither Audit Alliance LLP, our previous auditor, nor Enrome LLP, our current auditor, is based subject to the determinations as to inability to inspect or investigate completely as announced by the PCAOB on December 16, 2021. However, we cannot assure you whether Nasdaq or regulatory authorities would not apply additional and more stringent criteria to us after considering the effectiveness of our auditor’s audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements.

We are subject to a variety of laws and regulations regarding cybersecurity and data protection, and any failure to comply with applicable laws and regulations, including improper use or appropriation of personal information provided directly or indirectly by our customers or end users, could have a material adverse effect on our business, financial condition and results of operations.

In China, regulatory authorities have implemented and may implement further legislative and regulatory proposals concerning cybersecurity, information security, privacy, and data protection. New laws and regulations may be introduced, or existing ones may be interpreted or applied in ways that are uncertain or change over time. Non-compliance with these regulations could result in penalties or significant legal liabilities. On November 7, 2016, the Standing Committee of the National People’s Congress of the PRC issued the Cyber Security Law of the PRC, or Cyber Security Law, which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators must not collect users’ personal information without their consent and may only collect users’ personal information necessary to the provision of services. Providers are also obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations. The Civil Code of the PRC (issued by the National People’s Congress of the PRC on May 28, 2020 and effective from January 1, 2021) provides the main legal basis for privacy and personal information infringement claims under PRC civil law.

PRC regulators, including the CAC, the Ministry of Industry and Information Technology, and the Ministry of Public Security, have been increasingly focused on regulation in areas of data security and data protection. The PRC regulatory requirements regarding cybersecurity are constantly evolving. For instance, various PRC regulatory bodies, including the CAC, the Ministry of Public Security and the State Administration for Market Regulation (the “**SAMR**”), have enforced data privacy and protection laws and regulations with varying and evolving standards and interpretations. In addition, certain internet platforms in mainland China have reportedly been subject to heightened regulatory scrutiny in relation to cybersecurity matters.

In April 2020, the PRC government promulgated the Cybersecurity Review Measures (the “2020 Cybersecurity Review Measures”), which came into effect on June 1, 2020. In July 2021, the CAC and other related authorities released a draft amendment to the 2020 Cybersecurity Review Measures for public comments. On December 28, 2021, the PRC government promulgated amended Cybersecurity Review Measures (the “2022 Cybersecurity Review Measures”), which came into effect and replaced the 2020 Cybersecurity Review Measures on February 15, 2022. Compared with the 2020 Cybersecurity Review Measures, the 2022 Cybersecurity Review Measures contain the following key changes: (i) internet platform operators who are engaged in data processing are also subject to the regulatory scope; (ii) the CSRC is included as one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review mechanism; (iii) internet platform operators holding personal information of more than one million users and seeking to have their securities list on a stock exchange in a foreign country shall file for cybersecurity review with the Cybersecurity Review Office; (iv) the risks of core data, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or illegally transmitted to overseas parties and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously by foreign governments and any cybersecurity risk after a company’s listing on a stock exchange shall be collectively taken into consideration during the cybersecurity review process; and (v) critical information infrastructure operators and internet platform operators covered by the 2022 Cybersecurity Review Measures shall take measures to prevent and mitigate cybersecurity risks in accordance with the requirements therein. According to the 2022 Cybersecurity Review Measures, (i) critical information infrastructure operators that purchase network products and services and internet platform operators that conduct data processing activities shall be subject to cybersecurity review in accordance with the 2022 Cybersecurity Review Measures if such activities affect or may affect national security; and (ii) internet platform operators holding personal information of more than one million users and seeking to have their securities list on a stock exchange in a foreign country shall file for cybersecurity review with the Cybersecurity Review Office. Under the Regulation on Protecting the Security of Critical Information Infrastructure promulgated by the State Council on July 30, 2021, effective September 1, 2021, “critical information infrastructure” is defined as important network facilities and information systems in important industries and fields, such as public telecommunication and information services, energy, transportation, water conservancy, finance, public services, e-government and national defense, science, technology and industry, as well as other important network facilities and information systems that, in case of destruction, loss of function or leak of data, may severely damage national security, the national economy and the people’s livelihood and public interests. And the PRC competent authorities shall be responsible for organizing the determination of critical information infrastructure in the industry and field concerned according to the determination rules, and inform the critical information infrastructure operators of the determination results in a timely manner and notify the public security department under the State Council of the same. As of the date of this report, neither we nor any of our PRC subsidiaries has been informed by any PRC governmental authority that we or any of our PRC subsidiaries is a “critical information infrastructure operator.” Based on the opinion of our PRC counsel, Tahota (Beijing) Law Firm, according to its interpretation of the currently in-effect PRC laws and regulations, neither we nor any of our PRC subsidiaries qualify as a critical information infrastructure operator. As of the date of this report, neither we nor any of our PRC subsidiaries have conducted any data processing activities that affected or may affect national security, or hold personal information of more than one million users. On November 14, 2021, the CAC released the draft Administrative Regulation on Network Data Security for public comments through December 13, 2021 (the “**Draft Regulation on Network Data Security**”). Under the Draft Regulation on Network Data Security, (i) data processors, i.e., individuals and organizations who can decide on the purpose and method of their data processing activities at their own discretion, that process personal information of more than one million individuals shall apply for cybersecurity review before listing in a foreign country; (ii) foreign-listed data processors shall carry out annual data security evaluation and submit the evaluation report to the municipal cyberspace administration authority; and (iii) where the data processor undergoes merger, reorganization and subdivision that involves important data and personal information of more than one million individuals, the recipient of the data shall report the transaction to the in-charge authority at the municipal level.

As of the date of this report, neither we nor any of our PRC subsidiaries has been required by any PRC governmental authority to apply for cybersecurity review, nor have we or any of our PRC subsidiaries received any inquiry, notice, warning, sanction in such respect or been denied permission from any PRC regulatory authority to list on U.S. exchanges. Based on the opinion of our PRC counsel, Tahota (Beijing) Law Firm, according to its interpretation of the currently in-effect PRC laws and regulations, neither we nor any of our PRC subsidiaries are subject to the cybersecurity review, by the CAC under the 2022 Cybersecurity Review Measures with respect to the offering of our securities or the business operations of our PRC subsidiaries, because neither we nor any of our PRC subsidiaries qualifies as a critical information infrastructure operator or has conducted any data processing activities that affect or may affect national security or holds personal information of more than one million users. However, as PRC governmental authorities have significant discretion in interpreting and implementing statutory provisions and there remains significant uncertainty in the interpretation and enforcement of relevant PRC cybersecurity laws and regulations if the PRC regulatory authorities take a position contrary to ours, we cannot assure you that we or any of our PRC subsidiaries will not be deemed to be subject to PRC cybersecurity review requirements under the 2022 Cybersecurity Review Measures or the Draft Administrative Regulations (if enacted) as a critical information infrastructure operator or an internet platform operator that is engaged in data processing activities that affect or may affect national security or holds personal information of more than one million users, nor can we assure you that we or our PRC subsidiaries would be able to pass such review. If we or any of our PRC subsidiaries fails to receive any requisite permission or approval from the CAC for the business operations of our PRC subsidiaries, or the waiver for such permission or approval, in a timely manner, or at all, or inadvertently concludes that such permission or approval is not required, or if applicable laws, regulations or interpretations change and obligate us to obtain such permission or approvals in the future, we or our PRC subsidiaries may be subject to fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations. In addition, we could become subject to enhanced cybersecurity review or investigations launched by PRC regulators in the future pursuant to new laws, regulations or policies. Any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with applicable laws and regulations may result in fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations.

On June 10, 2021, the Standing Committee of the National People's Congress of the PRC, promulgated the PRC Data Security Law, which became effective in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development and the degree of harm it will cause to national security, public interests or the rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked or illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law, effective November 1, 2021. The Personal Information Protection Law clarifies the definition of personal information, which excludes information that has been anonymized, and the required procedures for personal information processing, the obligations of personal information processors, and individuals' personal information rights and interests. The Personal Information Protection Law provides that, among other things, (i) the processing of personal information is only permissible under certain circumstances, such as prior consent from the subject individual, fulfillment of contractual and legal obligations, furtherance of public interests or other circumstances prescribed by laws and regulations; (ii) the collection of personal information should be conducted in a disciplined manner with as little impact on individuals' rights and interests as possible; and (iii) excessive collection of personal information is prohibited. In particular, the Personal Information Protection Law provides that personal information processors should ensure the transparency and fairness of automated decision-making based on personal information, refrain from offering unreasonably differentiated transaction terms to different individuals and, when sending commercial promotions or information updates to individuals selected through automated decision-making, simultaneously offer such individuals an option not based on such individuals' specific characteristics or a more convenient way for such individuals to turn off such promotions.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Outbound Data Transfer, or the Data Transfer Measures, which became effective on September 1, 2022, pursuant to which, to provide data abroad under any of the following circumstances, a data processor shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through the local provincial cyberspace administration: (i) the data processor provides important data abroad; (ii) the critical information infrastructure operator or the data processor that has processed the personal information of over one million people provides personal information abroad; (iii) the data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad; and (iv) any other circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration. As of the date of this report, the data collected and generated in our business does not have a bearing on national security, economic operation, social stability, public health and security, among others, and thus may not be classified as important data by the authorities, and, neither we nor any of our PRC subsidiaries have ever provided any personal information collected and generated in the operations within the territory of the PRC to overseas recipients. Given the abovementioned facts and based on the opinion of our PRC legal counsel, Tahota (Beijing) Law Firm, according to its interpretation of the currently in-effect PRC laws and regulations, we or any of our PRC subsidiaries is engaged in any activity that is subject to security assessment as outlined in the Data Transfer Measures. However, as PRC governmental authorities have significant discretion in interpreting and implementing statutory provisions and there remains significant uncertainty in the interpretation and enforcement of relevant PRC data security laws and regulations if the PRC regulatory authorities take a position contrary to ours, we cannot assure you that the activities we or any of our PRC subsidiaries engaging in will not be deemed to be subject to PRC security assessment as stipulated in the Data Transfer Measures in the future, nor can we assure you that we or our PRC subsidiaries would be able to pass such assessment. The promulgation of the above-mentioned laws and regulations indicates heightened regulatory scrutiny from PRC regulatory authorities in areas such as data security and personal information protection.

As uncertainties remain regarding the interpretation and implementation of these laws and regulations, we cannot assure you that we or our PRC subsidiaries will be able to comply with such regulations in all respects, and we or our PRC subsidiaries may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities. In addition, while our PRC subsidiaries take various measures to comply with all applicable data privacy and protection laws and regulations, there is no guarantee that our current security measures, operation and those of our third-party service providers may always be adequate for the protection of our users, employee or company data against security breaches, cyberattacks or other unauthorized access, which could result in loss or misuse of such data, interruptions to our service system, diminished user experience, loss of user confidence and trust and impairment of our technology infrastructure and harm our reputation and business, resulting in fines, penalties and potential lawsuits.

Regulatory uncertainties relating to, or failure to comply with, anti-monopoly and competition laws could adversely affect our business, financial condition, or operating results.

The PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement under the PRC Anti-monopoly Law, including levying significant fines, with respect to concentration of undertakings and cartel activity, mergers and acquisitions, as well as abusive behavior by companies with market dominance. In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the Ministry of Commerce of People's Republic of China ("MOFCOM"), the National Development and Reform Commission of the PRC, and State Administration of Industry and Commerce of the PRC. The SAMR issued a new set of guidelines with respect to merger control review in September 2018, and issued the Notice on Anti-monopoly Enforcement Authorization on December 28, 2018, which grants authorizations to the SAMR's provincial branches to enforce anti-monopoly laws within their respective jurisdictions. The SAMR has imposed several administrative penalties on various companies for failing to duly make filings as to their transactions subject to merger control review by the SAMR. The scope of the companies that were penalized is broad, and covers a variety of different industries.

Significant regulatory uncertainty existed as to whether prior filing of notification of concentration is required for business concentration involving variable interest entities prior to 2020. In November 2020, the Anti-monopoly Bureau of SAMR released the draft Guidelines on Anti-monopoly Issues in Platform Economy, or the Platform Economy Anti-monopoly Guidelines, for public comment and in February 2021, adopted the Platform Economy Anti-monopoly Guidelines, which for the first time specified that, any concentration made between the variable interest entities shall be regulated by the Anti-monopoly Law. In addition, the Platform Economy Anti-monopoly Guidelines set out detailed standards and rules in respect of the definition of relevant markets, typical types of cartel activities and abusive behaviors by online platform operators with market dominance, which provide further guidelines for enforcement of anti-monopoly laws against online platform operators. For instance, online platform operators that use technological advantages, such as data and algorithms, to eliminate or restrict competition or impose price restrictions or exclusivity requirements on users may be deemed to be abusing dominant market position.

Prior to the effectiveness of the Platform Economy Anti-monopoly Guidelines, the SAMR has already fined certain companies that acquired businesses using variable interest entities without obtaining merger control approval or without prior filing of notification of concentration, indicating its increased scrutiny over historical cases of concentration of undertakings involving companies using variable interest entities and heightened enforcement efforts over past failure to file prior notification of concentration of undertakings for such transactions. Since 2020, the SAMR has fined companies that acquired or merged with or cooperated with onshore or offshore entities, including those operated through variable interest entities, for failure to file prior notification before conducting the mergers or cooperation transactions.

Although we do not believe we were legally required to make a merger control review filing or obtain merger control approval in relation to the historical merger, there can be no assurance that regulators will agree with us, particularly, in light of the enforcement actions since 2020. In addition, as there were few cases where companies using variable interest entities were investigated for failure to make filings in connection with concentration of undertakings prior to 2020, we did not file prior notification of concentration of undertakings for our historical transactions. There can also be no assurance that regulators will not initiate other anti-monopoly enquiry or investigation into, or take enforcement actions against, the historical merger or require us to submit filings in relation to such historical transactions. We may be subject to penalty in connection with any such enquiry or investigation, if we are determined by the SAMR to have failed to make the requisite filings, including fines up to RMB500,000 per case, and in extreme cases where any such transaction is determined by the SAMR to have constituted concentration of undertakings under the applicable PRC anti-monopoly law, we may be ordered to terminate the contemplated concentration, to dispose of our equity or asset within a prescribed period, or to transfer our business within a prescribed time or to take any other necessary measures to return to the pre-concentration status. We may also be subject to claims from our competitors or users, which could adversely affect our business and operations. Furthermore, any new requirements or restrictions, or proposed requirements or restrictions, could result in adverse publicity or fines against us.

On June 24, 2022, the Decision of the Standing Committee of the National People's Congress to Amend the Anti-Monopoly Law of the PRC was adopted and became effective on August 1, 2022, which stipulates that the State Council's anti-monopoly enforcement agency may order business operators to cease illegal concentration, to dispose of shares, assets or businesses within a defined period of time, or to take other necessary measures to restore to the state before the concentration. The enforcement agency may also impose upon a business operator (i) a fine up to ten percent of the business operator's sales revenue in the past year, if the concentration of undertakings has or may have an effect of excluding or limiting competition, or (ii) a fine up to RMB5 million if the concentration of undertakings does not have the effect of excluding or limiting competition. Stricter anti-monopoly and anti-unfair competition enforcement by the PRC regulatory authorities, especially enforcement actions focused on platform economy, may, among other things, prohibit us from future acquisitions, divestitures or combinations our plans to make, impose fines or penalties, require divestiture of certain of our assets, or impose other restrictions that limit or require us to modify its operations, including limitations on our contractual relationships or restrictions on our pricing or revenue models, which could materially and adversely affect our business, financial condition, results of operations and future prospects.

Furthermore, as we continue to navigate the evolving legislative environment and varied local implementation practices of anti-monopoly and competition laws and regulations in the PRC, we have attended and may continue to be required to attend administrative guidance meetings or other communications with regulators from time to time. We may continue to receive greater scrutiny and attention from regulators and more frequent and stringent investigations or reviews by regulators, which will increase our compliance costs. It could also be time-consuming to comply with the relevant regulations described above to complete future transactions and carry out our business operations. Heightened regulatory inquiries, investigations and other governmental actions and approval requirements from governmental authorities such as the SAMR may be uncertain and could delay or inhibit our ability to complete these transactions and carry out our business operations, which could affect our ability to expand its business, maintain its market share or otherwise achieve the goals of our acquisition strategy, divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, and/or materially and adversely affect our financial conditions, operations and business prospects.

As of the date hereof, regulatory actions related to data security or anti-monopoly concerns in Hong Kong do not have a material impact on our ability to conduct business, accept foreign investment in the future, continue to list on a United States stock exchange. However, new regulatory actions related to data security or anti-monopoly concerns in Hong Kong may be taken in the future, and such regulatory actions may have a material impact on our ability to conduct business, accept foreign investment, continue to list on a United States stock exchange.

Certain judgments obtained against us by our shareholders may not be enforceable.

BAIYU Holdings, Inc. is a Delaware holding company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted through our subsidiaries incorporated in mainland China and the VIE, Tongdow Internet Technology, incorporated in mainland China. In addition of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to enforce in U.S. courts of the judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors as none of them currently resides in the United States or has substantial assets located in the United States. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

We do have a holding company in Hong Kong. We also have a management member who is Hong Kong residents and reside within Hong Kong for a significant portion of the time. You may incur additional costs and procedural obstacles in effecting service of legal process, enforcing foreign judgments or bringing actions in Hong Kong against us or our management named in the prospectus, as judgments entered in the U.S. can be enforced in Hong Kong only at common law. If you want to enforce a judgment of the U.S. in Hong Kong, it must be a final judgment conclusive upon the merits of the claim, for a liquidated amount in a civil matter and not in respect of taxes, fines, penalties, or similar charges, the proceedings in which the judgment was obtained were not contrary to natural justice, and the enforcement of the judgment is not contrary to public policy of Hong Kong. Such a judgment must be for a fixed sum and must also come from a “competent” court as determined by the private international law rules applied by the Hong Kong courts.

Furthermore, foreign judgments of the U.S. courts will not be directly enforced in Hong Kong as there are currently no treaties or other arrangements providing for reciprocal enforcement of foreign judgments between Hong Kong and the U.S. However, the common law permits an action to be brought upon a foreign judgment. That is to say, a foreign judgment itself may form the basis of a cause of action since the judgment may be regarded as creating a debt between the parties to it. In a common law action for enforcement of a foreign judgment in Hong Kong, the enforcement is subject to various conditions, including but not limited to, that the foreign judgment is a final judgment conclusive upon the merits of the claim, the judgment is for a liquidated amount in civil matter and not in respect of taxes, fines, penalties, or similar charges, the proceedings in which the judgment was obtained were not contrary to natural justice, and the enforcement of the judgment is not contrary to public policy of Hong Kong. Such a judgment must be for a fixed sum and must also come from a “competent” court as determined by the private international law rules applied by the Hong Kong courts. The defenses that are available to a defendant in a common law action brought on the basis of a foreign judgment include lack of jurisdiction, breach of natural justice, fraud, and contrary to public policy. However, a separate legal action for debt must be commenced in Hong Kong in order to recover such debt from the judgment debtor. As a result, subject to the conditions with regard to enforcement of judgments of United States courts being met, including but not limited to the above, a foreign judgment of United States of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any State or territory within the U.S. could be enforceable in Hong Kong.

Uncertainties with respect to the PRC legal system, including uncertainties regarding the interpretation and enforcement of laws, and sudden or unexpected changes of PRC laws and regulations with little advance notice could adversely affect us and limit the legal protections available to you and us, and the Chinese government may exert more oversight and control over offerings that are conducted overseas, which changes could materially hinder our ability to offer or continue to offer our securities, and cause the value of our securities to significantly decline or become worthless.

Our operating subsidiaries are incorporated under and governed by the laws of the PRC. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As a significant part of our business is conducted in China, our operations are principally governed by PRC laws and regulations. However, since the PRC legal system continues to evolve rapidly, rules and regulations in China can change quickly with little advance notice. The interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws and regulations involve uncertainties, which may limit legal protections available to us. Uncertainties due to evolving laws and regulations could also impede the ability of a China-based company like us, to obtain or maintain permits or licenses required to conduct business in China. In the absence of required permits or licenses, governmental authorities could impose material sanctions or penalties on us. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other PRC government authorities (including local government authorities), thus making strict compliance with all regulatory requirements impractical, or in some circumstances impossible. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate or predict the outcome of administrative and court proceedings and the level of legal protection available to you and us than in more developed legal systems.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

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.

Given recent statements by the Chinese government indicating an intent to exert more oversight and control over securities offerings and other capital markets activities that are conducted overseas and foreign investment in China-based companies like us. Although we are currently not required to obtain permission from any of the PRC central or local government and has not received any notice of denial to list on the U.S. exchange, it is uncertain whether or when we might be required to obtain permission from the PRC government to list on U.S. exchanges in the future, and even if such permission is obtained, whether it will be later denied or rescinded, which could significantly limit or completely hinder our ability to offer or continue to offer our securities to investors and cause the value of our shares to significantly decline or be worthless. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas could materially and adversely hinder our ability to offer or continue to offer our securities, and cause the value of our securities to significantly decline or become worthless.

The Chinese government has substantial oversight and influence over the manner in which we must conduct our business and may intervene or influence our operations at any time, which actions could impact our operations materially and adversely, and significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or be worthless. The Chinese government has significant oversight and discretion over the conduct of our business and may intervene or influence our operations at any time as the government deems appropriate to further regulatory, political and societal goals. For instance, the Chinese government has recently published new policies that significantly affected certain industries such as the education and internet industries. The Chinese government has exercised, and continues to exercise, substantial control over virtually every sector of the Chinese economy through regulation and state ownership, which could materially and adversely impact the results of our operations and future prospects.

Our ability to operate in the PRC may be further harmed by changes in its laws and regulations. The central or local governments of the PRC may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in the PRC or particular regions thereof. We cannot rule out the possibility that it will in the future release regulations or policies regarding our industry that could adversely affect our business, financial condition, results of operations and the value of our shares.

Our business is also subject to various government and regulatory interference. We could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. The Company may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. Our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to our business or industry, which could result in further material changes in our operations and adversely impact the value of our securities.

Accordingly, government actions in the future, including any decision to intervene or influence the operations of our PRC subsidiaries at any time or to exert control over an offering of securities conducted overseas and/or foreign investment in China-based issuers, may cause us to make material changes to the operations of our PRC subsidiaries, may limit or completely hinder our ability to offer or continue to offer securities to investors, and/or may cause the value of such securities to significantly decline or be worthless.

The failure to comply with PRC regulations relating to mergers and acquisitions of domestic enterprises by offshore Special Purpose Vehicle (SPV) may subject us to severe fines or penalties and create other regulatory uncertainties regarding our corporate structure.

On August 8, 2006, MOFCOM, joined by the CSRC, the State-owned Assets Supervision and Administration Commission of the State Council, the State Taxation Administration, the State Administration for Industry and Commerce, and the State Administration of Foreign Exchange of China (“SAFE”), jointly promulgated regulations entitled the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), which took effect on September 8, 2006, and as amended on June 22, 2009. This regulation, among other things, has certain provisions that require offshore SPV formed for the purpose of acquiring PRC domestic companies and controlled directly or indirectly by PRC individuals and companies, to obtain the approval of MOFCOM prior to engaging in such acquisitions and to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock market. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval.

In addition, the Provisions of Ministry of Commerce on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, issued by MOFCOM in August 2011, specify that mergers and acquisitions by foreign investors involved in “an industry related to national security” are subject to strict review by MOFCOM, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement.

On March 15, 2019, the PRC National People’s Congress enacted the Foreign Investment Law of the PRC (the “Foreign Investment Law”), which became effective on January 1, 2020. The Foreign Investment Law has replaced the previous major laws and regulations governing foreign investment in the PRC, including the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC, the Sino-foreign Co-operative Enterprises Law of the PRC and the Wholly Foreign-invested Enterprise Law of the PRC. According to the Foreign Investment Law, “foreign-invested enterprises” refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC laws within China, and “foreign investment” refers to any foreign investor’s direct or indirect investment activities in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining stock shares, equity shares, shares in properties or other similar interests of Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) investing through other methods provided by laws, administrative regulations or provisions prescribed by the State Council.

On December 26, 2019, the State Council issued Implementation Regulations for the Foreign Investment Law of the PRC (the “**Implementation Rules**”) which came into effect on January 1, 2020, and replaced the Implementing Rules of the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC, the Implementing Rules of the Sino-foreign Co-operative Enterprises Law of the PRC and the Implementing Rules of the Wholly Foreign-invested Enterprise Law of the PRC. According to the Implementation Rules, in the event of any discrepancy between the Foreign Investment Law, the Implementation Rules and the relevant provisions on foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the Implementation Rules will prevail. The Implementation Rules also set forth that foreign investors that invest in sectors on the “Negative List” in which foreign investment is restricted shall comply with special management measures with respect to, among others, shareholding and senior management personnel qualification in the Negative List. Pursuant to the Foreign Investment Law and the Implementation Rules, the existing foreign-invested enterprises established prior to the effective date of the Foreign Investment Law are allowed to keep their corporate organization forms for five years from the effectiveness of the Foreign Investment Law before such existing foreign-invested enterprises must change their organization forms and organization structures in accordance with the PRC Company Law, the Partnership Enterprise Law of the PRC and other applicable laws.

After the Foreign Investment Law and the Implementation Rules became effective on January 1, 2020, the provisions of the M&A Rules remained effective to the extent they are not inconsistent with the Foreign Investment Law and the Implementation Rules. We believe that our business is not in an industry related to national security, but we cannot preclude the possibility that the competent PRC government authorities may publish explanations contrary to our understanding or broaden the scope of such security reviews in the future, in which case our future acquisitions and investment in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Moreover, according to the Anti-Monopoly Law of the PRC, the SAMR shall be notified in advance of any concentration of undertaking if certain filing thresholds are triggered. We may grow our business in part by directly acquiring complementary businesses in China. Complying with the requirements of the laws and regulations mentioned above and other PRC regulations necessary to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the SAMR, may delay or inhibit our ability to complete such transactions, which could materially and adversely affect our ability to expand our business or maintain our market share.

Regulations relating to offshore investment activities by PRC residents may limit our ability to acquire PRC companies and could adversely affect our business.

In July 2014, SAFE promulgated the Circular on Issues Concerning Foreign Exchange Administration over the Overseas Investment and Financing and Roundtrip Investment by Domestic Residents via SPV, or Circular 37, which replaced Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment through Offshore SPV, or Circular 75. Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, referred to in Circular 37 as a SPV for the purpose of holding domestic or offshore assets or interests. Circular 37 further requires amendment to a PRC resident's registration in the event of any significant changes with respect to the SPV, such as an increase or decrease in the capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. Under these regulations, PRC residents' failure to comply with specified registration procedures may result in restrictions being imposed on the foreign exchange activities of the relevant PRC entity, including the payment of dividends and other distributions to its offshore parent, as well as restrictions on capital inflows from the offshore entity to the PRC entity, including restrictions on its ability to contribute additional capital to its PRC subsidiaries. Further, failure to comply with the SAFE registration requirements could result in penalties under PRC law for evasion of foreign exchange regulations.

In addition, different local SAFE branches may have different views and procedures as to the interpretation and implementation of the SAFE regulations, and it may be difficult for our ultimate shareholders or beneficial owners who are PRC residents to provide sufficient supporting documents required by SAFE or to complete the required registration with SAFE in a timely manner, or at all. Any failure by any of our shareholders who is a PRC resident, or is controlled by a PRC resident, to comply with relevant requirements under these regulations could subject us to fines or sanctions imposed by the PRC government.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds from our subsequent offerings to make loans or additional capital contributions to our PRC subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are a Delaware holding company conducting our operations in China through (i) our subsidiaries incorporated in mainland China and (ii) the VIE incorporated in mainland China. We may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries, or we may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction. Most of these ways are subject to PRC regulations and approvals or registration. For example, loans by us to our wholly owned PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance our wholly owned PRC subsidiary by means of capital contributions, these capital contributions are subject to registration with the State Administration for Market Regulation or its local branch, reporting of foreign investment information with the PRC Ministry of Commerce, or registration with other governmental authorities in China.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or the SAFE Circular 19, effective June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in the SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of the SAFE Circular 19 and the SAFE Circular 16 could result in administrative penalties. The SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our subsequent offering, to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 23, 2019, SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, since the SAFE Circular 28 is newly promulgated, it is unclear how SAFE and competent banks will carry this out in practice.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans to our PRC subsidiary or future capital contributions by us to our PRC subsidiary. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiary when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from our subsequent offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

To the extent cash in the business is in the mainland PRC or Hong Kong or a PRC or Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of restrictions and limitations under the PRC laws and regulations.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. To the extent that our income is received in RMB, shortages in foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE, as long as certain procedural requirements are met. Approval from appropriate government authorities is required if Renminbi is converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions.

To address persistent capital outflows and the RMB's depreciation against the U.S. dollar in the fourth quarter of 2016, the People's Bank of China and SAFE implemented a series of capital control measures in the subsequent months, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls and our PRC subsidiaries' dividends and other distributions may be subject to tightened scrutiny in the future. The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of the PRC. Therefore, we may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency for the payment of dividends from our profits, if any. Furthermore, there can be no assurance that the PRC government will not intervene or impose restrictions on our ability to transfer or distribute cash within our organization or to foreign investors, which could result in an inability or prohibition on making transfers or distributions outside of China and adversely affect our business as well as your investment. To the extent cash in the business is in the mainland PRC or Hong Kong or a PRC or Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of such restrictions and limitations.

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

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within China is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT issued the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (the "SAT Circular 82"), which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (1) the primary location of the day-to-day operational management is in China; (2) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (4) at least 50% of voting board members or senior executives habitually reside in China.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that our company or any of our subsidiaries outside of China is a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, non-resident enterprise shareholders (including the common stockholders) may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of our common stock, if such income is treated as sourced from within China. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders and any gain realized on the transfer of our common stock by such shareholders may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprises or a rate of 20% in the case of non-PRC individuals unless a reduced rate is available under an applicable tax treaty. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our common stock.

In addition to the uncertainty as to the application of the “resident enterprise” classification, we cannot assure you that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements or higher tax rates. Any of such changes could materially and adversely affect our results of operations and financial condition.

Risk Factors Related to the Our Business and Industry

There is no assurance that we will be able to manage the commodities trading business effectively.

Operating the commodities trading business is a significant challenge and there is no assurance that we will be able to manage the integration successfully. If we are unable to efficiently integrate these businesses, the attention of our management could be diverted from our existing operations and the ability of the management teams at these business units to meet operational and financial expectations could be adversely impacted, which could impair our ability to execute our business plans. Failure to successfully integrate the new commodities trading business or to realize the expected benefits of entry into the business may have an adverse impact on our results of operations and financial condition.

Investment in our new line of business could disrupt the Company’s ongoing business and present risks not originally contemplated.

We have deployed a significant amount of proceeds from our financings in our new commodities business line, Shenzhen Baiyu Jucheng. New ventures are inherently risky and may not be successful. In evaluating such endeavors, we are required to make difficult judgments regarding the value of business strategies, opportunities, technologies and other assets, and the risks and cost of potential liabilities. Furthermore, these investments involve certain other risks and uncertainties, including the risks involved with entering new competitive categories or regions, the difficulty in integrating the new business, the challenges in achieving strategic objectives and other benefits expected from our investment, the diversion of our attention and resources from our operations and other initiatives, the potential impairment of acquired assets and liabilities and the performance of underlying products, capabilities or technologies.

We may not be able to ensure the successful implementation of our strategy to diversify our businesses.

We have entered into the commodities trading business. Such initiatives involve various risks including but not limited to the investment costs in establishing a distribution network within the PRC, leasing warehouses, offices and other working capital requirements. There is no assurance that such future plans can be successfully implemented as the successful execution of such future plans will depend on several factors, some of which are not within our control, such as retaining and recruiting qualified and skilled staff, and the continued demand for our products by our customers. Failure to implement any part of our future plans or execute such plan costs effectively, may lead to a material adverse change in our operating environment or affect our ability to respond to market or industry changes, which may, in turn, adversely affect our business and financial results.

Our success depends substantially upon the continued retention of our senior management.

Our future success is substantially dependent on the continued service of certain members of our senior management, including Ms. Renmei Ouyang, our Chairwoman and Chief Executive Officer, Mr. **Tianshi (Stanley) Yang**, **Wenhao Cui**, our Chief Financial Officer. These officers play an integral role in determining our strategic direction and for executing our growth strategy and are important to our brand and culture. The loss of the services of any of these executives without qualified replacement could have a material adverse effect on our business and prospects, as we may not be able to find suitable individuals to replace them on a timely basis, if at all. In addition, any such departure could be viewed negatively by investors and analysts, which could cause the price of our ordinary shares to decline.

Our business depends on adequate supply and availability of nonferrous metal commodities.

Our planned business requires nonferrous metal commodities that are sourced from third party suppliers. We are affected by industry supply conditions, which generally involve risks beyond our control, including costs of these materials, transportation costs and market demand. As a result, we may not be able to obtain an adequate supply of quality nonferrous metal commodities in a timely or cost-effective manner, which would have a material adverse effect on our business, financial condition and results of operations.

A decline in our key business sectors or a reduction in consumer demand generally could have a material adverse effect on our business.

A large portion of our supply chain management services revenue comes from clients in the energy, material and industrial sectors, which is intensely competitive, very volatile, and subject to rapid changes and fluctuations in the overall economic conditions. Declines in the overall performance of the energy, material and industrial sectors have in the past and could in the future, adversely affect the demand for our supply chain management services and reduce our revenue and profitability from these clients. In addition, industry changes, such as the transition of more collateral materials from physical form to digital form and changes in marketing channels, could lessen the demand for certain of our services we currently handle. To the extent recent uncertainty in the economy or other factors result in decreased demand for our clients' products, we may experience a reduction in volumes of client products that we handle which could have a material adverse effect on our supply chain management services business, financial position and operating results.

We operate in a business that is cyclical and where demand can be volatile, which could have a material adverse effect on our business, financial condition or results of operations.

We operate in a business that is cyclical and where demand can be volatile, which could have a material adverse effect on our results of operations and financial condition. The timing and magnitude of the cycles in the business in which we operate are difficult to predict. Purchase prices for the raw materials we purchase, and selling prices for our products are volatile and beyond our control. While we attempt to respond to changing raw material costs through adjustments to the sales price of our products, our ability to do so is limited by competitive and other market factors. A significant reduction in selling prices for our products may have a material adverse effect on our business, financial condition and results of operations, and adversely impact our ability to recover purchase costs from end customers. A decline in market prices for our products between the date of the sales order and shipment of the product may impact the customer's ability to obtain letters of credit to cover the full sales amount. A decline in selling prices for our products coupled with customers failing to meet their contractual obligations may also result in a net realizable value adjustment to the average cost of inventory to reflect the lower of cost or fair market value. Additionally, changing prices could potentially impact the volume of raw materials available to us, the volume of ore and processed metal sold by us and inventory levels. The cyclical nature of our businesses tends to reflect and be amplified by changes in general economic conditions, both domestically and internationally.

Risk Factors Related to Our General Operations

The current geographic concentration where we provide services creates an exposure to local economies, regional downturns or severe weather or catastrophic occurrences that may materially adversely affect our financial condition and results of operations.

We currently conduct our commodities trading business in Shanghai and Shenzhen. We currently hold all our commodities inventory at the warehouses we rent in Shanghai and Shenzhen. While we have insurance to cover certain losses on those commodities, events such as theft, fire, flood, or hail could adversely impact our business.

In addition, our business is currently more susceptible to regional conditions than the operations of more geographically diversified competitors, and we are vulnerable to economic downturns in those regions. Any unforeseen events or circumstances that negatively affect these areas could materially adversely affect our revenues and profitability. These factors include, among other things, changes in demographics and population. In addition, severe weather conditions, acts of God and other catastrophic occurrences in the area in which we operate or from which we obtain inventory may materially adversely affect our financial condition and results of operations. Such conditions may result in physical damage to our properties and loss of inventory. Any of these factors may disrupt our business and materially adversely affect our financial condition and results of operations. Furthermore, there can be no assurance that we will be able to successfully replicate our business model and achieve levels of success as we enter new geographic markets.

Our failure to maintain a reputation of integrity and to otherwise maintain and enhance our brand could adversely affect our business and results of operations.

Our business model is based on our ability to provide customers with commodities trading that we believe will save them time and money. If we fail to build and maintain a positive reputation, or if an event occurs that damages this reputation, it could adversely affect consumer demand and have a material adverse effect on our business and results of operations. Even the perception of a decrease in the quality of our brand could negatively impact results.

Complaints or negative publicity about our business practices, marketing and advertising campaigns, compliance with applicable laws and regulations, the integrity of the data that we provide to users, and other aspects of our business, especially on industry-specific blogs and social media websites, and irrespective of their validity, could diminish consumer confidence in our services and adversely affect our brand. The growing use of social media increases the speed with which information and opinions can be shared and, thus, the speed with which reputation can be affected. If we fail to correct or mitigate misinformation or negative information, including information spread through social media or traditional media channels, about us, the vehicles we offer, our customer experience, or any aspect of our brand, it could have a material adverse effect on our business and results of operations.

Failure to adequately protect our intellectual property, technology and confidential information could harm our business and operating results.

Our business depends on our intellectual property, technology and confidential information, the protection of which is crucial to the success of our business. We attempt to protect our intellectual property, technology and confidential information by requiring certain of our employees and consultants to enter into confidentiality agreements and certain third parties to enter into nondisclosure agreements. In addition, these agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property, or technology. Despite our efforts to protect our intellectual property, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider proprietary. Changes in the law or adverse court rulings may also negatively affect our ability to prevent others from using our technology.

We may be subject to claims asserting that our employees, consultants or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employees or claims asserting ownership of what we regard as our own intellectual property.

Although we try to ensure that our employees, consultants and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these individuals or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we intend to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. The assignment of intellectual property may not be self-executing or the assignment agreement may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property.

We may in the future be subject to intellectual property disputes, which are costly to defend and could harm our business and operating results.

We may, from time to time, face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties. We may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Patent and other intellectual property litigation may be protracted and expensive, the results are difficult to predict and may require us to stop offering some features, purchase licenses or modify our products and features while we develop non-infringing substitutes or may result in significant settlement costs.

Even if these matters do not result in litigation, are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, our operating results and our reputation.

We may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, they could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to various litigation matters from time to time, which could have a material adverse effect on our business, results of operations and financial condition. Claims arising out of actual or alleged violations of law could be asserted against us by individuals, either individually or through class actions, by governmental entities in civil or criminal investigations, and proceedings or by other entities. These claims could be asserted under a variety of laws, including but not limited to consumer finance laws, consumer protection laws, intellectual property laws, privacy laws, labor and employment laws, securities laws and employee benefit laws. These actions could expose us to adverse publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business.

In the event we are not able to get refund from Harrison Fund, we will suffer significant losses.

In May 2019, the Company invested an aggregate of \$1,000,000 to purchase financial products from Harrison Fund, LLC (“**Harrison Fund**”), a private equity fund, for investment return. On April 6, 2020, we filed a law suit against Harrison Fund in California seeking the full refund of the \$1,000,000 investment because we identified problematic information in Harrison Fund’s brochure. Based on the current stage of the proceedings in this case, the outcome of this legal proceeding, including the anticipated legal costs, remains uncertain. Therefore, we recorded a full investment impairment loss of \$1,000,000, which was reflected in the consolidated statements of operations and comprehensive income (loss). We may incur significant legal fees, settlements or damages awards resulting from this or other civil litigation. If this matter is not resolved in our favor, it could have a material adverse effect on our results of operations and cash flows.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, or FCPA, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. We have implemented these policies through our Code of Conduct. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in China. While we make every effort to comply with FCPA and our company Code of Conduct, we can make no assurance that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that will likely have a material adverse effect on our business, financial condition and results of operations.

We have identified material weaknesses in our internal control over financial reporting, and we cannot provide assurances that these weaknesses will be effectively remediated or that additional material weaknesses will not occur in the future. If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and which may lead to a decline in our stock price.

As discussed in “Part II, Item 9A. Controls and Procedures,” our management has identified material weaknesses in our internal control over financial reporting, which were not remediated as of December 31, 2022. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant’s annual or interim financial statements will not be prevented or detected on a timely basis.

As of the date of this annual report, we are re-assessing the design of our controls and modifying processes. However, there can be no assurance that we will be able to fully remediate our existing material weaknesses or that our internal control over financial reporting will not suffer in the future from other material weaknesses, thus making us unable to prevent or detect on a timely basis material misstatement in our periodic reports with the SEC. If we fail to remediate these material weaknesses or otherwise maintain effective internal control over financial reporting in the future, the existence of one or more internal control deficiencies could result in errors in our financial statements, and substantial costs and resources may be required to rectify internal control deficiencies. If we cannot produce reliable financial reports, we may have difficulty in filing timely periodic reports with the SEC, investors could lose confidence in our reported financial information, the market price of our stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be materially harmed. In addition, any failure to remediate the existing material weaknesses or a failure to maintain effective internal control over financial reporting could negatively impact our results of operations, cash flows and financial condition, subject us to potential litigation and regulatory inquiry and cause us to incur additional costs in future periods relating to the implementation of remedial measures.

Matters relating to or arising from the restatements, Audit Committee investigation and the associated material weaknesses identified in our internal control over financial reporting, including adverse publicity, have caused us to incur significant legal, accounting and other professional fees and other costs, have exposed us to greater risks associated with other civil litigation, regulatory proceedings and government enforcement actions, have diverted resources and attention that would otherwise be directed toward our operations and implementation of our business strategy and may impact our ability to attract and retain customers, employees and vendors, any of which could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Corporate Structure

The failure to comply with PRC regulations relating to mergers and acquisitions of domestic enterprises by offshore SPV may subject us to severe fines or penalties and create other regulatory uncertainties regarding our corporate structure.

On August 8, 2006, MOFCOM, joined by the CSRC, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the State Administration for Industry and Commerce (“SAIC”), and SAFE, jointly promulgated regulations entitled the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (“M&A Rules”), which took effect as of September 8, 2006, and as amended on June 22, 2009. This regulation, among other things, has certain provisions that require offshore SPV formed for the purpose of acquiring PRC domestic companies and controlled directly or indirectly by PRC individuals and companies, to obtain the approval of MOFCOM prior to engaging in such acquisitions and to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock market. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval.

The application of the M&A Rules with respect to our corporate structure remains unclear, with no current consensus existing among leading PRC law firms regarding the scope and applicability of the M&A Rules. We believe that the MOFCOM and CSRC approvals under the M&A Rules were not required in the context of our share exchange transaction because at such time the share exchange was a foreign related transaction governed by foreign laws, not subject to the jurisdiction of PRC laws and regulations. However, we cannot be certain that the relevant PRC government agencies, including the CSRC and MOFCOM, would reach the same conclusion, and we cannot be certain that MOFCOM or the CSRC will not deem that the transactions effected by the share exchange circumvented the M&A Rules, and other rules and notices, or that prior MOFCOM or CSRC approval is required for overseas financing. Further, we cannot rule out the possibility that the relevant PRC government agencies, including MOFCOM, would deem that the M&A Rules required us or our entities in China to obtain approval from MOFCOM or other PRC regulatory agencies in connection with Hao Limo’s control of Beijing Tianxing through contractual arrangements.

If the CSRC, MOFCOM, or another PRC regulatory agency subsequently determines that CSRC, MOFCOM or other approval was required for the share exchange transaction and/or the VIE arrangements between Hao Limo and Beijing Tianxing, or if prior CSRC approval for overseas financings is required and not obtained, we may face severe regulatory actions or other sanctions from MOFCOM, the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines or other penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from overseas financings into the PRC, restrict or prohibit payment or remittance of dividends to us or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our Common Stock. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to delay or cancel overseas financings, to restructure our current corporate structure, or to seek regulatory approvals that may be difficult or costly to obtain.

The M&A Rules, along with certain foreign exchange regulations discussed below, will be interpreted or implemented by the relevant government authorities in connection with our future offshore financings or acquisitions, and we cannot predict how they will affect our acquisition strategy. For example, Beijing Tianxing's ability to remit its profits to us, or to engage in foreign-currency-denominated borrowings, may be conditioned upon compliance with the SAFE registration requirements by such Chinese domestic residents, over whom we may have no control.

Regulations relating to offshore investment activities by PRC residents may limit our ability to acquire PRC companies and could adversely affect our business.

In July 2014, SAFE promulgated the *Circular on Issues Concerning Foreign Exchange Administration over the Overseas Investment and Financing and Roundtrip Investment by Domestic Residents via SPV*, or Circular 37, which replaced *Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment through Offshore SPV*, or Circular 75. Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, referred to in Circular 37 as a "SPV" for the purpose of holding domestic or offshore assets or interests. Circular 37 further requires amendment to a PRC resident's registration in the event of any significant changes with respect to the SPV, such as an increase or decrease in the capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. Under these regulations, PRC residents' failure to comply with specified registration procedures may result in restrictions being imposed on the foreign exchange activities of the relevant PRC entity, including the payment of dividends and other distributions to its offshore parent, as well as restrictions on capital inflows from the offshore entity to the PRC entity, including restrictions on its ability to contribute additional capital to its PRC subsidiaries. Further, failure to comply with the SAFE registration requirements could result in penalties under PRC law for evasion of foreign exchange regulations.

In addition, different local SAFE branches may have different views and procedures as to the interpretation and implementation of the SAFE regulations, and it may be difficult for our ultimate shareholders or beneficial owners who are PRC residents to provide sufficient supporting documents required by the SAFE or to complete the required registration with the SAFE in a timely manner, or at all. Any failure by any of our shareholders who is a PRC resident, or is controlled by a PRC resident, to comply with relevant requirements under these regulations could subject us to fines or sanctions imposed by the PRC government.

Risks Related to Ownership Doing Business in China

We are a Delaware holding company that conducts its operations and operates its business in China through its PRC subsidiaries and variable interest entity. The Chinese regulatory authorities may disallow our holding structure or exert further control over our activities.

We are not a Chinese operating company; instead, we are a Delaware holding company that conducts our operations and operates its business in China through our PRC subsidiaries and variable interest entity. Such structure involves unique risks to our investors. The Chinese government may disallow the Company's current holding structure or determine that the contractual arrangements constituting part of the VIE are not compliant with PRC regulations, or that regulations could be changed or interpreted differently in the future, each of which could result in a material change in our operations and materially and adversely affect the value of shares of our **Common Stock** common stock or our other securities and could cause the value of our shares or other securities to significantly decline or become worthless. Should the PRC government determine that the VIE structure is inconsistent with the laws and regulations of China, it may result in our inability to assert contractual control over the assets of our PRC subsidiaries or the VIE that conduct all or substantially all our operations.

Furthermore, the Chinese regulatory authorities may intervene in or influence the operation of PRC subsidiaries and exercise significant oversight and discretion over the conduct of their business or may exert more control over offerings conducted overseas by, and/or foreign investment in, China-based issuers, which could result in a material change in our operations and/or the value of our common stock. Further, rules and regulations in China may be changed from time to time, and any actions by the Chinese government to exert more oversight and supervision over offerings that are conducted overseas by, and/or foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

If the PRC government deems that the contractual arrangements in relation to the VIE do not comply with PRC regulations on foreign investment, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to penalties, or be forced to relinquish our interests in the operations of the VIE, which would materially and adversely affect our business, financial results, trading prices of our common stock.

We have entered into certain contractual arrangements with a variable interest entity, Tongdow Internet Technology, which contracts consist of (i) the Exclusive Business Cooperation Agreement, (ii) the Share Pledge Agreement, (iii) the Exclusive Option Agreement, (iv) the POA, and (v) the Reporting Agreement. See "Our Company — Our Business — VIE Agreements."

BAIYU and its shareholders do not own any equity interests in Tongdow Internet Technology. The VIE contractual arrangements with Tongdow Internet Technology and its equity holder enable BAIYU to consolidate the financial statements of the VIE and its subsidiaries under U.S. GAAP and to be regarded as the primary beneficiary of the VIEs for accounting purposes, and enable us to obtain substantially all of the economic benefits arising from Tongdow Internet Technology. Although we believe the structure we have adopted is consistent with longstanding industry practice, the PRC government may not agree that these arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future.

If we or Tongdow Internet Technology are found to be in violation of any existing or future PRC laws, rules or regulations, or fail to obtain or maintain any of the required permits or approvals, we could be subject to severe penalties. The relevant PRC regulatory authorities would have broad discretion to take action in dealing with these violations or failures, including revoking the business and operating licenses of our PRC subsidiary or Tongdow Internet Technology, requiring us to discontinue or restrict our operations, restricting our right to collect revenue, blocking one or more of our websites, requiring us to restructure our operations or taking other regulatory or enforcement actions against us. The imposition of any of these measures could result in a material adverse effect on our ability to conduct all or any portion of our business operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of Tongdow Internet Technology in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of Tongdow Internet Technology or otherwise separate from the entity and if we are not able to restructure our ownership structure and operations in compliance with Nasdaq's requirements for continued listing and a satisfactory manner, we would no longer be able to consolidate the financial results of Tongdow Internet Technology in our common stock may be delisted from trading on Nasdaq, which consolidated financial statements. Any of these events would have a material adverse effect on our business, financial condition and our stockholders' results of operations.

If We were delinquent in the filing of our periodic reports

The contractual arrangements with the SEC, we will not VIE and its shareholder may be less effective than direct ownership in compliance with listing requirements of The Nasdaq Stock Market LLC (“Nasdaq providing operational control.”) Listing Rule 5250(c)(1), which requires timely filing of periodic financial reports

We have relied and expect to continue to rely on contractual arrangements with the SEC. Under Nasdaq’s listing rules, VIE and its shareholder to conduct our operations in China. These contractual arrangements, however, may be less effective than direct ownership in providing us with operational control over the VIE. For instance, the VIE and its shareholder could breach their contractual arrangements with us by, among other things, failing to conduct the operations of the VIE in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of the VIE in China, we would be permitted able to submit exercise our rights as a shareholder to Nasdaq a plan effect changes in the board of directors of the VIE, which in turn could implement changes, subject to regain compliance any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by the VIE and its shareholder of their obligations under the contracts to direct the VIE’s activities. The shareholder of the VIE may not act in the best interests of our company or may not perform its obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See “— We face uncertainty with respect to the enforceability of the contractual arrangements with the Nasdaq listing rules. VIE and its shareholder, and any failure by the VIE or its shareholder to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.”

We face uncertainty with respect to the enforceability of the contractual arrangements with the VIE and its shareholder, and any failure by the VIE or its shareholder to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.

If the VIE or its shareholder fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For instance, if the shareholder of the VIE were to refuse to transfer its equity interests in the VIE to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations. In addition, if any third parties claim any interest in such shareholder’s equity interests in the VIE, our ability to exercise shareholder’s rights or foreclose the share pledge according to the contractual arrangements may be impaired. If these or other disputes between the shareholder of the VIE and third parties were to impair our contractual control over the VIE, our ability to consolidate the financial results of the VIE would be affected, which would in turn result in a material adverse effect our business, operations and financial condition.

All the agreements under our contractual arrangements with the VIE are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. As of the date of this report, the agreements under the contractual arrangements with the VIE have not been tested in a court of law. However, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there can are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective contractual control over the VIE, and our ability to conduct our business may be negatively affected. See “— Risks Related to Doing Business in China — Uncertainties with respect to the PRC legal system, including uncertainties regarding the interpretation and enforcement of laws, and sudden or unexpected changes of PRC laws and regulations with little advance notice could adversely affect us and limit the legal protections available to you and us, and the Chinese government may exert more oversight and control over offerings that are conducted overseas, which changes could materially hinder our ability to offer or continue to offer our securities, and cause the value of our securities to significantly decline or become worthless.”

Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

Substantially all of our assets and operations are located in the PRC. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in the PRC generally. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, development, growth rate, management of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant regulation over the PRC’s economic growth through allocating resources, managing payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions in the PRC, in the policies of the Chinese government or in the laws and regulations in the PRC could have a material adverse effect on the overall economic growth of the PRC. Such developments could adversely affect our business and operating results, lead to a reduction in demand for our services and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government management over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustment, to adjust the pace of economic growth. These measures may cause decreased economic activity in the PRC, which may adversely affect our business and operating results.

A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business and our financial condition.

Although the Chinese economy has grown steadily in the past decade, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the People's Bank of China and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in volatility in oil and other markets. There have also been concerns on the relationship among China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

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

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. It is difficult to predict how long such appreciation of Renminbi against the U.S. dollar may last and when and how the relationship between the Renminbi and the U.S. dollar may change again. All of our revenues and substantially all of our costs are denominated in Renminbi. We are a Delaware holding company and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. Any significant revaluation of Renminbi may materially and adversely affect our results of operations and financial position reported in Renminbi when translated into U.S. dollars, and the value of, and any dividends payable on, the common stock in U.S. dollars. To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our common stock or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount.

U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China.

Any disclosure of documents or information located in China by foreign agencies may be subject to jurisdiction constraints and must comply with China's state secrecy laws, which broadly define the scope of "state secrets" to include matters involving economic interests and technologies. There is no guarantee that Nasdaq requests from U.S. federal or state regulators or agencies to investigate or inspect our operations will accept be honored by us, by entities who provide services to us or with whom we associate, without violating PRC legal requirements, especially as those entities are located in China. Furthermore, under the current PRC laws, an on-site inspection of our facilities by any of these regulators may be limited or prohibited.

The PRC government's significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our common stock.

We conduct our business primarily through our PRC subsidiaries. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation, and our shares of stock may decline in value or become worthless. Also, the PRC government has recently indicated an intent to exert more oversight and supervision over offerings that are conducted overseas and foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. In addition, implementation of industry-wide regulations directly targeting our industry or our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face PRC regulatory uncertainty that may materially and adversely affect our business and operations and the value of our shares.

The PRC government has the ability to exert substantial supervision over any offering or listing of securities conducted overseas and/or foreign investment in China-based issuers, and, as a result, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless.

The PRC government recently initiated a series of regulatory actions and statements to regulate business operations in China, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using the variable interest entity structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement.

On February 17, 2023, the CSRC released the Trial Administrative Measures for Administration of Overseas Securities Offerings and Listings by Domestic Companies (the “Trial Measures”) and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three (3) working days after the offering is completed, which may subject us to additional compliance plan, grant us requirements in the extension or future, and we cannot assure you that we will be able to file get the clearance of filing procedures under the Trial Measures on a timely basis, or at all. If a domestic company fails to complete the filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties by the extended CSRC, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

As of the date of this report, none of the Company, our PRC subsidiaries, have received any filing or compliance requirements from CSRC for the listing at Nasdaq and all of its overseas offerings. As the Trial Measures were only enacted recently, there remains uncertainty as to the interpretation and implementation of the Trial Measures and the supporting guidelines, including but not limited to the interpretation of the concept “substance over form”, as well as other PRC regulatory requirements related to overseas securities offerings and other capital markets activities; thus, we cannot assure you that the relevant Chinese regulatory authorities, including the CSRC, would reach the same conclusion as us.

On February 24, 2023, the CSRC and other PRC governmental authorities jointly issued the revised Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (the “Revised Confidentiality Provisions”), which came into effect on March 31, 2023. According to the Revised Confidentiality Provisions, Chinese companies that directly or indirectly conduct overseas offerings and listings, shall strictly abide by the laws and regulations on confidentiality when providing or publicly disclosing, either directly or through their overseas listed entities, materials to securities services providers. In the event such materials contain state secrets or working secrets of government agencies, the Chinese companies shall first obtain approval from authorities, and file with the secrecy administrative department at the same level with the approving authority; in the event that such materials, if divulged, will jeopardize national security or public interest, the Chinese companies shall comply with procedures stipulated by national regulations. The Chinese companies shall also provide a written statement of the specific sensitive information provided when providing materials to securities service providers, and such written statements shall be retained for inspection. As the Revised Confidentiality Provisions were recently promulgated, their interpretation and implementation remain substantially uncertain.

As of the date of this report, we have not received any inquiry, notice, warning, or sanctions from CSRC or other Chinese governmental authorities. If the CSRC or other PRC governmental authorities later promulgate new rules or interpretations requiring that we obtain their approval for future offerings or listings outside of mainland China or for foreign investments in our securities, we may be unable to obtain such approvals in a timely manner, or at all. Any such circumstance could significantly or completely limit our ability to raise capital through securities offerings, hinder our ability to execute strategic plans in a timely manner or at all, and could cause the value of our securities to significantly decline.

The Holding Foreign Companies Accountable Act, recent regulatory actions taken by the SEC and PCAOB, and proposed rule changes submitted by U.S. stock exchanges calling for additional and more stringent criteria to be applied to China-based public companies could add uncertainties to our capital raising activities and compliance costs.

Pursuant to the Holding Foreign Companies Accountable Act (the “HFCAA”), if the Public Company Accounting Oversight Board (the “PCAOB”), is unable to inspect an issuer’s auditors for three consecutive years, the issuer’s securities are prohibited to trade on a U.S. stock exchange. The PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People’s Republic of China because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. Furthermore, the PCAOB’s report identified the specific registered public accounting firms which are subject to these determinations. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, legislation entitled “Consolidated Appropriations Act, 2023” (the “Consolidated Appropriations Act”) was signed into law by President Biden, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act and amended the HFCAA by requiring the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading. On August 26, 2022, the PCAOB announced that it had signed a SOP with the CSRC and the Ministry of Finance of China. The SOP Agreements establishes a specific, accountable framework to make possible complete inspections and investigations by the PCAOB of audit firms based in mainland China and Hong Kong, as required under U.S. law. On December 15, 2022, the PCAOB announced that it was able to secure complete access to inspect and investigate PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong completely in 2022. The PCAOB Board vacated its previous 2021 determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainties and depends on a number of factors out of our and our auditor’s control. The PCAOB continues to demand complete access in mainland China and Hong Kong moving forward and is making plans to resume regular inspections in early 2023 and beyond, as well as to continue pursuing ongoing investigations and initiate new investigations as needed. The PCAOB has also indicated that it will act immediately to consider the need to issue new determinations with the HFCAA if needed.

Each of Audit Alliance LLP, our previous auditor, and Enrome LLP, our current auditor, is based in Singapore and is registered with PCAOB and subject to PCAOB inspection. As of the date of this report, neither Audit Alliance LLP, our previous auditor, nor Enrome LLP, our current auditor, is based subject to the determinations as to inability to inspect or investigate completely as announced by the PCAOB on December 16, 2021. However, we cannot assure you whether Nasdaq or regulatory authorities would not apply additional and more stringent criteria to us after considering the effectiveness of our auditor’s audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements.

We are subject to a variety of laws and regulations regarding cybersecurity and data protection, and any failure to comply with applicable laws and regulations, including improper use or appropriation of personal information provided directly or indirectly by our customers or end users, could have a material adverse effect on our business, financial condition and results of operations.

In China, regulatory authorities have implemented and may implement further legislative and regulatory proposals concerning cybersecurity, information security, privacy, and data protection. New laws and regulations may be introduced, or existing ones may be interpreted or applied in ways that are uncertain or change over time. Non-compliance with these regulations could result in penalties or significant legal liabilities. On November 7, 2016, the Standing Committee of the National People’s Congress of the PRC issued the Cyber Security Law of the PRC, or Cyber Security Law, which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators must not collect users’ personal information without their consent and may only collect users’ personal information necessary to the provision of services. Providers are also obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations. The Civil Code of the PRC (issued by the National People’s Congress of the PRC on May 28, 2020 and effective from January 1, 2021) provides the main legal basis for privacy and personal information infringement claims under PRC civil law.

PRC regulators, including the CAC, the Ministry of Industry and Information Technology, and the Ministry of Public Security, have been increasingly focused on regulation in areas of data security and data protection. The PRC regulatory requirements regarding cybersecurity are constantly evolving. For instance, various PRC regulatory bodies, including the CAC, the Ministry of Public Security and the State Administration for Market Regulation (the “SAMR”), have enforced data privacy and protection laws and regulations with varying and evolving standards and interpretations. In addition, certain internet platforms in mainland China have reportedly been subject to heightened regulatory scrutiny in relation to cybersecurity matters.

In April 2020, the PRC government promulgated the Cybersecurity Review Measures (the “2020 Cybersecurity Review Measures”), which came into effect on June 1, 2020. In July 2021, the CAC and other related authorities released a draft amendment to the 2020 Cybersecurity Review Measures for public comments. On December 28, 2021, the PRC government promulgated amended Cybersecurity Review Measures (the “2022 Cybersecurity Review Measures”), which came into effect and replaced the 2020 Cybersecurity Review Measures on February 15, 2022. Compared with the 2020 Cybersecurity Review Measures, the 2022 Cybersecurity Review Measures contain the following key changes: (i) internet platform operators who are engaged in data processing are also subject to the regulatory scope; (ii) the CSRC is included as one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review mechanism; (iii) internet platform operators holding personal information of more than one million users and seeking to have their securities list on a stock exchange in a foreign country shall file for cybersecurity review with the Cybersecurity Review Office; (iv) the risks of core data, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or illegally transmitted to overseas parties and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously by foreign governments and any cybersecurity risk after a company’s listing on a stock exchange shall be collectively taken into consideration during the cybersecurity review process; and (v) critical information infrastructure operators and internet platform operators covered by the 2022 Cybersecurity Review Measures shall take measures to prevent and mitigate cybersecurity risks in accordance with the requirements therein. According to the 2022 Cybersecurity Review Measures, (i) critical information infrastructure operators that purchase network products and services and internet platform operators that conduct data processing activities shall be subject to cybersecurity review in accordance with the 2022 Cybersecurity Review Measures if such activities affect or may affect national security; and (ii) internet platform operators holding personal information of more than one million users and seeking to have their securities list on a stock exchange in a foreign country shall file for cybersecurity review with the Cybersecurity Review Office. Under the Regulation on Protecting the Security of Critical Information Infrastructure promulgated by the State Council on July 30, 2021, effective September 1, 2021, “critical information infrastructure” is defined as important network facilities and information systems in important industries and fields, such as public telecommunication and information services, energy, transportation, water conservancy, finance, public services, e-government and national defense, science, technology and industry, as well as other important network facilities and information systems that, in case of destruction, loss of function or leak of data, may severely damage national security, the national economy and the people’s livelihood and public interests. And the PRC competent authorities shall be responsible for organizing the determination of critical information infrastructure in the industry and field concerned according to the determination rules, and inform the critical information infrastructure operators of the determination results in a timely manner and notify the public security department under the State Council of the same. As of the date of this report, neither we nor any of our PRC subsidiaries has been informed by any PRC governmental authority that we or any of our PRC subsidiaries is a “critical information infrastructure operator.” Based on the opinion of our PRC counsel, Tahota (Beijing) Law Firm, according to its interpretation of the currently in-effect PRC laws and regulations, neither we nor any of our PRC subsidiaries qualify as a critical information infrastructure operator. As of the date of this report, neither we nor any of our PRC subsidiaries have conducted any data processing activities that affected or may affect national security, or hold personal information of more than one million users. On November 14, 2021, the CAC released the draft Administrative Regulation on Network Data Security for public comments through December 13, 2021 (the “Draft Regulation on Network Data Security”). Under the Draft Regulation on Network Data Security, (i) data processors, i.e., individuals and organizations who can decide on the purpose and method of their data processing activities at their own discretion, that process personal information of more than one million individuals shall apply for cybersecurity review before listing in a foreign country; (ii) foreign-listed data processors shall carry out annual data security evaluation and submit the evaluation report to the municipal cyberspace administration authority; and (iii) where the data processor undergoes merger, reorganization and subdivision that involves important data and personal information of more than one million individuals, the recipient of the data shall report the transaction to the in-charge authority at the municipal level.

As of the date of this report, neither we nor any of our PRC subsidiaries has been required by any PRC governmental authority to apply for cybersecurity review, nor have we or any of our PRC subsidiaries received any inquiry, notice, warning, sanction in such respect or been denied permission from any PRC regulatory authority to list on U.S. exchanges. Based on the opinion of our PRC counsel, Tahota (Beijing) Law Firm, according to its interpretation of the currently in-effect PRC laws and regulations, neither we nor any of our PRC subsidiaries are subject to the cybersecurity review, by the CAC under the 2022 Cybersecurity Review Measures with respect to the offering of our securities or the business operations of our PRC subsidiaries, because neither we nor any of our PRC subsidiaries qualifies as a critical information infrastructure operator or has conducted any data processing activities that affect or may affect national security or holds personal information of more than one million users. However, as PRC governmental authorities have significant discretion in interpreting and implementing statutory provisions and there remains significant uncertainty in the interpretation and enforcement of relevant PRC cybersecurity laws and regulations if the PRC regulatory authorities take a position contrary to ours, we cannot assure you that we or any of our PRC subsidiaries will not be deemed to be subject to PRC cybersecurity review requirements under the 2022 Cybersecurity Review Measures or the Draft Administrative Regulations (if enacted) as a critical information infrastructure operator or an internet platform operator that is engaged in data processing activities that affect or may affect national security or holds personal information of more than one million users, nor can we assure you that we or our PRC subsidiaries would be able to pass such review. If we or any of our PRC subsidiaries fails to receive any requisite permission or approval from the CAC for the business operations of our PRC subsidiaries, or the waiver for such permission or approval, in a timely manner, or at all, or inadvertently concludes that such permission or approval is not required, or if applicable laws, regulations or interpretations change and obligate us to obtain such permission or approvals in the future, we or our PRC subsidiaries may be subject to fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations. In addition, we could become subject to enhanced cybersecurity review or investigations launched by PRC regulators in the future pursuant to new laws, regulations or policies. Any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with applicable laws and regulations may result in fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations.

On June 10, 2021, the Standing Committee of the National People's Congress of the PRC, promulgated the PRC Data Security Law, which became effective in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development and the degree of harm it will cause to national security, public interests or the rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked or illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law, effective November 1, 2021. The Personal Information Protection Law clarifies the definition of personal information, which excludes information that has been anonymized, and the required procedures for personal information processing, the obligations of personal information processors, and individuals' personal information rights and interests. The Personal Information Protection Law provides that, among other things, (i) the processing of personal information is only permissible under certain circumstances, such as prior consent from the subject individual, fulfillment of contractual and legal obligations, furtherance of public interests or other circumstances prescribed by laws and regulations; (ii) the collection of personal information should be conducted in a disciplined manner with as little impact on individuals' rights and interests as possible; and (iii) excessive collection of personal information is prohibited. In particular, the Personal Information Protection Law provides that personal information processors should ensure the transparency and fairness of automated decision-making based on personal information, refrain from offering unreasonably differentiated transaction terms to different individuals and, when sending commercial promotions or information updates to individuals selected through automated decision-making, simultaneously offer such individuals an option not based on such individuals' specific characteristics or a more convenient way for such individuals to turn off such promotions.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Outbound Data Transfer, or the Data Transfer Measures, which became effective on September 1, 2022, pursuant to which, to provide data abroad under any of the following circumstances, a data processor shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through the local provincial cyberspace administration: (i) the data processor provides important data abroad; (ii) the critical information infrastructure operator or the data processor that has processed the personal information of over one million people provides personal information abroad; (iii) the data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad; and (iv) any other circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration. As of the date of this report, the data collected and generated in our business does not have a bearing on national security, economic operation, social stability, public health and security, among others, and thus may not be classified as important data by the authorities, and, neither we nor any of our PRC subsidiaries have ever provided any personal information collected and generated in the operations within the territory of the PRC to overseas recipients. Given the abovementioned facts and based on the opinion of our PRC legal counsel, Tahota (Beijing) Law Firm, according to its interpretation of the currently in-effect PRC laws and regulations, we or any of our PRC subsidiaries is engaged in any activity that is subject to security assessment as outlined in the Data Transfer Measures. However, as PRC governmental authorities have significant discretion in interpreting and implementing statutory provisions and there remains significant uncertainty in the interpretation and enforcement of relevant PRC data security laws and regulations if the PRC regulatory authorities take a position contrary to ours, we cannot assure you that the activities we or any of our PRC subsidiaries engaging in will not be deemed to be subject to PRC security assessment as stipulated in the Data Transfer Measures in the future, nor can we assure you that we or our PRC subsidiaries would be able to pass such assessment. The promulgation of the above-mentioned laws and regulations indicates heightened regulatory scrutiny from PRC regulatory authorities in areas such as data security and personal information protection.

As uncertainties remain regarding the interpretation and implementation of these laws and regulations, we cannot assure you that we or our PRC subsidiaries will be able to comply with such regulations in all respects, and we or our PRC subsidiaries may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities. In addition, while our PRC subsidiaries take various measures to comply with all applicable data privacy and protection laws and regulations, there is no guarantee that our current security measures, operation and those of our third-party service providers may always be adequate for the protection of our users, employee or company data against security breaches, cyberattacks or other unauthorized access, which could result in loss or misuse of such data, interruptions to our service system, diminished user experience, loss of user confidence and trust and impairment of our technology infrastructure and harm our reputation and business, resulting in fines, penalties and potential lawsuits.

Regulatory uncertainties relating to, or failure to comply with, anti-monopoly and competition laws could adversely affect our business, financial condition, or operating results.

The PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement under the PRC Anti-monopoly Law, including levying significant fines, with respect to concentration of undertakings and cartel activity, mergers and acquisitions, as well as abusive behavior by companies with market dominance. In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the Ministry of Commerce of People's Republic of China ("MOFCOM"), the National Development and Reform Commission of the PRC, and State Administration of Industry and Commerce of the PRC. The SAMR issued a new set of guidelines with respect to merger control review in September 2018, and issued the Notice on Anti-monopoly Enforcement Authorization on December 28, 2018, which grants authorizations to the SAMR's provincial branches to enforce anti-monopoly laws within their respective jurisdictions. The SAMR has imposed several administrative penalties on various companies for failing to duly make filings as to their transactions subject to merger control review by the SAMR. The scope of the companies that were penalized is broad, and covers a variety of different industries.

Significant regulatory uncertainty existed as to whether prior filing of notification of concentration is required for business concentration involving variable interest entities prior to 2020. In November 2020, the Anti-monopoly Bureau of SAMR released the draft Guidelines on Anti-monopoly Issues in Platform Economy, or the Platform Economy Anti-monopoly Guidelines, for public comment and in February 2021, adopted the Platform Economy Anti-monopoly Guidelines, which for the first time specified that, any concentration made between the variable interest entities shall be regulated by the Anti-monopoly Law. In addition, the Platform Economy Anti-monopoly Guidelines set out detailed standards and rules in respect of the definition of relevant markets, typical types of cartel activities and abusive behaviors by online platform operators with market dominance, which provide further guidelines for enforcement of anti-monopoly laws against online platform operators. For instance, online platform operators that use technological advantages, such as data and algorithms, to eliminate or restrict competition or impose price restrictions or exclusivity requirements on users may be deemed to be abusing dominant market position.

Prior to the effectiveness of the Platform Economy Anti-monopoly Guidelines, the SAMR has already fined certain companies that acquired businesses using variable interest entities without obtaining merger control approval or without prior filing of notification of concentration, indicating its increased scrutiny over historical cases of concentration of undertakings involving companies using variable interest entities and heightened enforcement efforts over past failure to file prior notification of concentration of undertakings for such transactions. Since 2020, the SAMR has fined companies that acquired or merged with or cooperated with onshore or offshore entities, including those operated through variable interest entities, for failure to file prior notification before conducting the mergers or cooperation transactions.

Although we do not believe we were legally required to make a merger control review filing or obtain merger control approval in relation to the historical merger, there can be no assurance that regulators will agree with us, particularly, in light of the enforcement actions since 2020. In addition, as there were few cases where companies using variable interest entities were investigated for failure to make filings in connection with concentration of undertakings prior to 2020, we did not file prior notification of concentration of undertakings for our historical transactions. There can also be no assurance that regulators will not initiate other anti-monopoly enquiry or investigation into, or take enforcement actions against, the historical merger or require us to submit filings in relation to such historical transactions. We may be subject to penalty in connection with any such enquiry or investigation, if we are determined by the SAMR to have failed to make the requisite filings, including fines up to RMB500,000 per case, and in extreme cases where any such transaction is determined by the SAMR to have constituted concentration of undertakings under the applicable PRC anti-monopoly law, we may be ordered to terminate the contemplated concentration, to dispose of our equity or asset within a prescribed period, or to transfer our business within a prescribed time or to take any other necessary measures to return to the pre-concentration status. We may also be subject to claims from our competitors or users, which could adversely affect our business and operations. Furthermore, any new requirements or restrictions, or proposed requirements or restrictions, could result in adverse publicity or fines against us.

On June 24, 2022, the Decision of the Standing Committee of the National People's Congress to Amend the Anti-Monopoly Law of the PRC was adopted and became effective on August 1, 2022, which stipulates that the State Council's anti-monopoly enforcement agency may order business operators to cease illegal concentration, to dispose of shares, assets or businesses within a defined period of time, or to take other necessary measures to restore to the state before the concentration. The enforcement agency may also impose upon a business operator (i) a fine up to ten percent of the business operator's sales revenue in the past year, if the concentration of undertakings has or may have an effect of excluding or limiting competition, or (ii) a fine up to RMB5 million if the concentration of undertakings does not have the effect of excluding or limiting competition. Stricter anti-monopoly and anti-unfair competition enforcement by the PRC regulatory authorities, especially enforcement actions focused on platform economy, may, among other things, prohibit us from future acquisitions, divestitures or combinations our plans to make, impose fines or penalties, require divestiture of certain of our assets, or impose other restrictions that limit or require us to modify its operations, including limitations on our contractual relationships or restrictions on our pricing or revenue models, which could materially and adversely affect our business, financial condition, results of operations and future prospects.

Furthermore, as we continue to navigate the evolving legislative environment and varied local implementation practices of anti-monopoly and competition laws and regulations in the PRC, we have attended and may continue to be required to attend administrative guidance meetings or other communications with regulators from time to time. We may continue to receive greater scrutiny and attention from regulators and more frequent and stringent investigations or reviews by regulators, which will increase our compliance costs. It could also be time-consuming to comply with the relevant regulations described above to complete future transactions and carry out our business operations. Heightened regulatory inquiries, investigations and other governmental actions and approval requirements from governmental authorities such as the SAMR may be uncertain and could delay or inhibit our ability to complete these transactions and carry out our business operations, which could affect our ability to expand its business, maintain its market share or otherwise achieve the goals of our acquisition strategy, divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, and/or materially and adversely affect our financial conditions, operations and business prospects.

As of the date hereof, regulatory actions related to data security or anti-monopoly concerns in Hong Kong do not have a material impact on our ability to conduct business, accept foreign investment in the future, continue to list on a United States stock exchange. However, new regulatory actions related to data security or anti-monopoly concerns in Hong Kong may be taken in the future, and such regulatory actions may have a material impact on our ability to conduct business, accept foreign investment, continue to list on a United States stock exchange.

Certain judgments obtained against us by our shareholders may not be enforceable.

BAIYU Holdings, Inc. is a Delaware holding company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted through our subsidiaries incorporated in mainland China and the VIE, Tongdow Internet Technology, incorporated in mainland China. In addition of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to enforce in U.S. courts of the judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors as none of them currently resides in the United States or has substantial assets located in the United States. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

We do have a holding company in Hong Kong. We also have a management member who is Hong Kong residents and reside within Hong Kong for a significant portion of the time. You may incur additional costs and procedural obstacles in effecting service of legal process, enforcing foreign judgments or bringing actions in Hong Kong against us or our management named in the prospectus, as judgments entered in the U.S. can be enforced in Hong Kong only at common law. If you want to enforce a judgment of the U.S. in Hong Kong, it must be a final judgment conclusive upon the merits of the claim, for a liquidated amount in a civil matter and not in respect of taxes, fines, penalties, or similar charges, the proceedings in which the judgment was obtained were not contrary to natural justice, and the enforcement of the judgment is not contrary to public policy of Hong Kong. Such a judgment must be for a fixed sum and must also come from a “competent” court as determined by the private international law rules applied by the Hong Kong courts.

Furthermore, foreign judgments of the U.S. courts will not be directly enforced in Hong Kong as there are currently no treaties or other arrangements providing for reciprocal enforcement of foreign judgments between Hong Kong and the U.S. However, the common law permits an action to be brought upon a foreign judgment. That is to say, a foreign judgment itself may form the basis of a cause of action since the judgment may be regarded as creating a debt between the parties to it. In a common law action for enforcement of a foreign judgment in Hong Kong, the enforcement is subject to various conditions, including but not limited to, that the foreign judgment is a final judgment conclusive upon the merits of the claim, the judgment is for a liquidated amount in civil matter and not in respect of taxes, fines, penalties, or similar charges, the proceedings in which the judgment was obtained were not contrary to natural justice, and the enforcement of the judgment is not contrary to public policy of Hong Kong. Such a judgment must be for a fixed sum and must also come from a “competent” court as determined by the private international law rules applied by the Hong Kong courts. The defenses that are available to a defendant in a common law action brought on the basis of a foreign judgment include lack of jurisdiction, breach of natural justice, fraud, and contrary to public policy. However, a separate legal action for debt must be commenced in Hong Kong in order to recover such debt from the judgment debtor. As a result, subject to the conditions with regard to enforcement of judgments of United States courts being met, including but not limited to the above, a foreign judgment of United States of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any State or territory within the U.S. could be enforceable in Hong Kong.

Uncertainties with respect to the PRC legal system, including uncertainties regarding the interpretation and enforcement of laws, and sudden or unexpected changes of PRC laws and regulations with little advance notice could adversely affect us and limit the legal protections available to you and us, and the Chinese government may exert more oversight and control over offerings that are conducted overseas, which changes could materially hinder our ability to offer or continue to offer our securities, and cause the value of our securities to significantly decline or become worthless.

Our operating subsidiaries are incorporated under and governed by the laws of the PRC. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As a significant part of our business is conducted in China, our operations are principally governed by PRC laws and regulations. However, since the PRC legal system continues to evolve rapidly, rules and regulations in China can change quickly with little advance notice. The interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws and regulations involve uncertainties, which may limit legal protections available to us. Uncertainties due to evolving laws and regulations could also impede the ability of a China-based company like us, to obtain or maintain permits or licenses required to conduct business in China. In the absence of required permits or licenses, governmental authorities could impose material sanctions or penalties on us. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other PRC government authorities (including local government authorities), thus making strict compliance with all regulatory requirements impractical, or in some circumstances impossible. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate or predict the outcome of administrative and court proceedings and the level of legal protection available to you and us than in more developed legal systems.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

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.

Given recent statements by the Chinese government indicating an intent to exert more oversight and control over securities offerings and other capital markets activities that are conducted overseas and foreign investment in China-based companies like us. Although we are currently not required to obtain permission from any of the PRC central or local government and has not received any notice of denial to list on the U.S. exchange, it is uncertain whether or when we might be required to obtain permission from the PRC government to list on U.S. exchanges in the future, and even if such permission is obtained, whether it will be later denied or rescinded, which could significantly limit or completely hinder our ability to offer or continue to offer our securities to investors and cause the value of our shares to significantly decline or be worthless. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas could materially and adversely hinder our ability to offer or continue to offer our securities, and cause the value of our securities to significantly decline or become worthless.

The Chinese government has substantial oversight and influence over the manner in which we must conduct our business and may intervene or influence our operations at any time, which actions could impact our operations materially and adversely, and significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or be worthless. The Chinese government has significant oversight and discretion over the conduct of our business and may intervene or influence our operations at any time as the government deems appropriate to further regulatory, political and societal goals. For instance, the Chinese government has recently published new policies that significantly affected certain industries such as the education and internet industries. The Chinese government has exercised, and continues to exercise, substantial control over virtually every sector of the Chinese economy through regulation and state ownership, which could materially and adversely impact the results of our operations and future prospects.

Our ability to operate in the PRC may be further harmed by changes in its laws and regulations. The central or local governments of the PRC may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in the PRC or particular regions thereof. We cannot rule out the possibility that it will in the future release regulations or policies regarding our industry that could adversely affect our business, financial condition, results of operations and the value of our shares.

Our business is also subject to various government and regulatory interference. We could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. The Company may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. Our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to our business or industry, which could result in further material changes in our operations and adversely impact the value of our securities.

Accordingly, government actions in the future, including any decision to intervene or influence the operations of our PRC subsidiaries at any time or to exert control over an offering of securities conducted overseas and/or foreign investment in China-based issuers, may cause us to make material changes to the operations of our PRC subsidiaries, may limit or completely hinder our ability to offer or continue to offer securities to investors, and/or may cause the value of such securities to significantly decline or be worthless.

The failure to comply with PRC regulations relating to mergers and acquisitions of domestic enterprises by offshore Special Purpose Vehicle (SPV) may subject us to severe fines or penalties and create other regulatory uncertainties regarding our corporate structure.

On August 8, 2006, MOFCOM, joined by the CSRC, the State-owned Assets Supervision and Administration Commission of the State Council, the State Taxation Administration, the State Administration for Industry and Commerce, and the State Administration of Foreign Exchange of China (“SAFE”), jointly promulgated regulations entitled the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), which took effect on September 8, 2006, and as amended on June 22, 2009. This regulation, among other things, has certain provisions that require offshore SPV formed for the purpose of acquiring PRC domestic companies and controlled directly or indirectly by PRC individuals and companies, to obtain the approval of MOFCOM prior to engaging in such acquisitions and to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock market. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval.

In addition, the Provisions of Ministry of Commerce on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, issued by MOFCOM in August 2011, specify that mergers and acquisitions by foreign investors involved in “an industry related to national security” are subject to strict review by MOFCOM, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement.

On March 15, 2019, the PRC National People’s Congress enacted the Foreign Investment Law of the PRC (the “Foreign Investment Law”), which became effective on January 1, 2020. The Foreign Investment Law has replaced the previous major laws and regulations governing foreign investment in the PRC, including the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC, the Sino-foreign Co-operative Enterprises Law of the PRC and the Wholly Foreign-invested Enterprise Law of the PRC. According to the Foreign Investment Law, “foreign-invested enterprises” refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC laws within China, and “foreign investment” refers to any foreign investor’s direct or indirect investment activities in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining stock shares, equity shares, shares in properties or other similar interests of Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) investing through other methods provided by laws, administrative regulations or provisions prescribed by the State Council.

On December 26, 2019, the State Council issued Implementation Regulations for the Foreign Investment Law of the PRC (the “Implementation Rules”) which came into effect on January 1, 2020, and replaced the Implementing Rules of the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC, the Implementing Rules of the Sino-foreign Co-operative Enterprises Law of the PRC and the Implementing Rules of the Wholly Foreign-invested Enterprise Law of the PRC. According to the Implementation Rules, in the event of any discrepancy between the Foreign Investment Law, the Implementation Rules and the relevant provisions on foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the Implementation Rules will prevail. The Implementation Rules also set forth that foreign investors that invest in sectors on the “Negative List” in which foreign investment is restricted shall comply with special management measures with respect to, among others, shareholding and senior management personnel qualification in the Negative List. Pursuant to the Foreign Investment Law and the Implementation Rules, the existing foreign-invested enterprises established prior to the effective date of the Foreign Investment Law are allowed to keep their corporate organization forms for five years from the effectiveness of the Foreign Investment Law before such existing foreign-invested enterprises must change their organization forms and organization structures in accordance with the PRC Company Law, the Partnership Enterprise Law of the PRC and other applicable laws.

After the Foreign Investment Law and the Implementation Rules became effective on January 1, 2020, the provisions of the M&A Rules remained effective to the extent they are not inconsistent with the Foreign Investment Law and the Implementation Rules. We believe that our business is not in an industry related to national security, but we cannot preclude the possibility that the competent PRC government authorities may publish explanations contrary to our understanding or broaden the scope of such security reviews in the future, in which case our common stock future acquisitions and investment in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Moreover, according to the Anti-Monopoly Law of the PRC, the SAMR shall be notified in advance of any concentration of undertaking if certain filing thresholds are triggered. We may grow our business in part by directly acquiring complementary businesses in China. Complying with the requirements of the laws and regulations mentioned above and other PRC regulations necessary to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the SAMR, may delay or inhibit our ability to complete such transactions, which could materially and adversely affect our ability to expand our business or maintain our market share.

Regulations relating to offshore investment activities by PRC residents may limit our ability to acquire PRC companies and could adversely affect our business. In July 2014, SAFE promulgated the Circular on Issues Concerning Foreign Exchange Administration over the Overseas Investment and Financing and Roundtrip Investment by Domestic Residents via SPV, or Circular 37, which replaced Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment through Offshore SPV, or Circular 75. Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, referred to in Circular 37 as a SPV for the purpose of holding domestic or offshore assets or interests. Circular 37 further requires amendment to a PRC resident's registration in the event of any significant changes with respect to the SPV, such as an increase or decrease in the capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. Under these regulations, PRC residents' failure to comply with specified registration procedures may result in restrictions being imposed on the foreign exchange activities of the relevant PRC entity, including the payment of dividends and other distributions to its offshore parent, as well as restrictions on capital inflows from the offshore entity to the PRC entity, including restrictions on its ability to contribute additional capital to its PRC subsidiaries. Further, failure to comply with the SAFE registration requirements could result in penalties under PRC law for evasion of foreign exchange regulations.

In addition, different local SAFE branches may have different views and procedures as to the interpretation and implementation of the SAFE regulations, and it may be difficult for our ultimate shareholders or beneficial owners who are PRC residents to provide sufficient supporting documents required by SAFE or to complete the required registration with SAFE in a timely manner, or at all. Any failure by any of our shareholders who is a PRC resident, or is controlled by a PRC resident, to comply with relevant requirements under these regulations could subject us to fines or sanctions imposed by the PRC government.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds from our subsequent offerings to make loans or additional capital contributions to our PRC subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are a Delaware holding company conducting our operations in China through (i) our subsidiaries incorporated in mainland China and (ii) the VIE incorporated in mainland China. We may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries, or we may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction. Most of these ways are subject to PRC regulations and approvals or registration. For example, loans by us to our wholly owned PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance our wholly owned PRC subsidiary by means of capital contributions, these capital contributions are subject to registration with the State Administration for Market Regulation or its local branch, reporting of foreign investment information with the PRC Ministry of Commerce, or registration with other governmental authorities in China.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or the SAFE Circular 19, effective June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in the SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of the SAFE Circular 19 and the SAFE Circular 16 could result in administrative penalties. The SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our subsequent offering, to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 23, 2019, SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, since the SAFE Circular 28 is newly promulgated, it is unclear how SAFE and competent banks will carry this out in practice.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans to our PRC subsidiary or future capital contributions by us to our PRC subsidiary. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiary when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from our subsequent offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

To the extent cash in the business is in the mainland PRC or Hong Kong or a PRC or Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of restrictions and limitations under the PRC laws and regulations.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. To the extent that our income is received in RMB, shortages in foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE, as long as certain procedural requirements are met. Approval from appropriate government authorities is required if Renminbi is converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions.

To address persistent capital outflows and the RMB's depreciation against the U.S. dollar in the fourth quarter of 2016, the People's Bank of China and SAFE implemented a series of capital control measures in the subsequent months, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls and our PRC subsidiaries' dividends and other distributions may be subject to delisting tightened scrutiny in the future. The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of the PRC. Therefore, we may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency for the payment of dividends from our profits, if any. Furthermore, there can be no assurance that the PRC government will not intervene or impose restrictions on our ability to transfer or distribute cash within our organization or to foreign investors, which could result in an inability or prohibition on making transfers or distributions outside of China and adversely affect our business as well as your investment. To the extent cash in the business is in the mainland PRC or Hong Kong or a PRC or Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of such restrictions and limitations.

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

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within China is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT issued the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (the "SAT Circular 82"), which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by Nasdaq, PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (1) the primary location of the day-to-day operational management is in China; (2) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (4) at least 50% of voting board members or senior executives habitually reside in China.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that our company or any of our subsidiaries outside of China is a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, non-resident enterprise shareholders (including the common stockholders) may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of our common stock, if such income is delisted, there can no assurance whether or when it would be listed for trading treated as sourced from within China. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders and any gain realized on Nasdaq or any other exchange. If the transfer of our common stock by such shareholders may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprises or a rate of 20% in the case of non-PRC individuals unless a reduced rate is delisted, the market price available under an applicable tax treaty. It is unclear whether non-PRC shareholders of our shares will likely decline company would be able to claim the benefits of any tax treaties between their country of tax residence and become more volatile, and our stockholders the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may find that their ability to trade reduce the returns on your investment in our stock will be adversely affected. Furthermore, institutions whose charters do not allow them to hold securities in unlisted companies might sell our shares, which could have a further adverse effect on the price of our common stock.

In addition to the uncertainty as to the application of the “resident enterprise” classification, we cannot assure you that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements or higher tax rates. Any of such changes could materially and adversely affect our results of operations and financial condition.

Risk Factors Related to the Our Business and Industry

There is no assurance that we will be able to manage the commodities trading business effectively.

Operating the commodities trading business is a significant challenge and there is no assurance that we will be able to manage the integration successfully. If we are unable to efficiently integrate these businesses, the attention of our management could be diverted from our existing operations and the ability of the management teams at these business units to meet operational and financial expectations could be adversely impacted, which could impair our ability to execute our business plans. Failure to successfully integrate the new commodities trading business or to realize the expected benefits of entry into the business may have an adverse impact on our results of operations and financial condition.

Investment in our new line of business could disrupt the Company’s ongoing business and present risks not originally contemplated.

We do have deployed a significant amount of proceeds from our financings in our new commodities business line, Shenzhen Baiyu Jucheng. New ventures are inherently risky and may not expect be successful. In evaluating such endeavors, we are required to declare make difficult judgments regarding the value of business strategies, opportunities, technologies and other assets, and the risks and cost of potential liabilities. Furthermore, these investments involve certain other risks and uncertainties, including the risks involved with entering new competitive categories or pay dividends regions, the difficulty in integrating the new business, the challenges in achieving strategic objectives and other benefits expected from our investment, the diversion of our attention and resources from our operations and other initiatives, the potential impairment of acquired assets and liabilities and the performance of underlying products, capabilities or technologies.

We may not be able to ensure the successful implementation of our strategy to diversify our businesses.

We have entered into the commodities trading business. Such initiatives involve various risks including but not limited to the investment costs in establishing a distribution network within the PRC, leasing warehouses, offices and other working capital requirements. There is no assurance that such future plans can be successfully implemented as the successful execution of such future plans will depend on several factors, some of which are not within our control, such as retaining and recruiting qualified and skilled staff, and the continued demand for our products by our customers. Failure to implement any part of our future plans or execute such plan costs effectively, may lead to a material adverse change in our operating environment or affect our ability to respond to market or industry changes, which may, in turn, adversely affect our business and financial results.

Our success depends substantially upon the continued retention of our senior management.

Our future success is substantially dependent on the continued service of certain members of our senior management, including Ms. Renmei Ouyang, our Chairwoman and Chief Executive Officer, Mr. Wenhao Cui, our Chief Financial Officer. These officers play an integral role in determining our strategic direction and for executing our growth strategy and are important to our brand and culture. The loss of the services of any of these executives without qualified replacement could have a material adverse effect on our business and prospects, as we may not be able to find suitable individuals to replace them on a timely basis, if at all. In addition, any such departure could be viewed negatively by investors and analysts, which could cause the price of our ordinary shares to decline.

Our business depends on adequate supply and availability of nonferrous metal commodities.

Our planned business requires nonferrous metal commodities that are sourced from third party suppliers. We are affected by industry supply conditions, which generally involve risks beyond our control, including costs of these materials, transportation costs and market demand. As a result, we may not be able to obtain an adequate supply of quality nonferrous metal commodities in a timely or cost-effective manner, which would have a material adverse effect on our business, financial condition and results of operations.

A decline in our key business sectors or a reduction in consumer demand generally could have a material adverse effect on our business.

A large portion of our supply chain management services revenue comes from clients in the foreseeable future, energy, material and industrial sectors, which is intensely competitive, very volatile, and subject to rapid changes and fluctuations in the overall economic conditions. Declines in the overall performance of the energy, material and industrial sectors have in the past and could in the future, adversely affect the demand for our supply chain management services and reduce our revenue and profitability from these clients. In addition, industry changes, such as the transition of more collateral materials from physical form to digital form and changes in marketing channels, could lessen the demand for certain of our services we currently handle. To the extent recent uncertainty in the economy or other factors result in decreased demand for our clients' products, we may experience a reduction in volumes of client products that we handle which could have a material adverse effect on our supply chain management services business, financial position and operating results.

We do not expect to declare operate in a business that is cyclical and where demand can be volatile, which could have a material adverse effect on our business, financial condition or pay dividends in the foreseeable future, as we anticipate that we will invest future earnings in the development and growth results of our business. Therefore, holders of our Common Stock will not receive any return on their investment unless they sell their securities, and holders may be unable to sell their securities on favorable terms or at all, operations.

Future issuances We operate in a business that is cyclical and where demand can be volatile, which could have a material adverse effect on our results of our Common Stock or securities convertible into, or exercisable or exchangeable operations and financial condition. The timing and magnitude of the cycles in the business in which we operate are difficult to predict. Purchase prices for the raw materials we purchase, and selling prices for our common stock ("Securities"), or products are volatile and beyond our control. While we attempt to respond to changing raw material costs through adjustments to the expiration of lock-up agreements that restrict the issuance of new Common Stock or the trading of outstanding Common Stock, could cause the market sales price of our Common Stock products, our ability to do so is limited by competitive and other market factors. A significant reduction in selling prices for our products may have a material adverse effect on our business, financial condition and results of operations, and adversely impact our ability to recover purchase costs from end customers. A decline in market prices for our products between the date of the sales order and would shipment of the product may impact the customer's ability to obtain letters of credit to cover the full sales amount. A decline in selling prices for our products coupled with customers failing to meet their contractual obligations may also result in a net realizable value adjustment to the dilution average cost of your holdings. inventory to reflect the lower of cost or fair market value. Additionally, changing prices could potentially impact the volume of raw materials available to us, the volume of ore and processed metal sold by us and inventory levels. The cyclical nature of our businesses tends to reflect and be amplified by changes in general economic conditions, both domestically and internationally.

Future issuances of our Securities, or the expiration of lock-up agreements that restrict the issuance of new Common Stock or the trading of outstanding Common Stock, could cause the market price of our Common Stock Risk Factors Related to decline. We cannot predict the effect, if any, of future issuances of our Securities, or the future expirations of lock-up agreements, on the price of our Common Stock. In all events, future issuances of our Common Stock would result in the dilution of your holdings. In addition, the perception that new issuances of our Securities could occur, or the perception that locked-up parties will sell their securities when the lock-ups expire, could adversely affect the market price of our Common Stock. In addition to any adverse effects that may arise upon the expiration of these lock-up agreements, the lock-up provisions in these agreements may be waived, at any time and without notice. If the restrictions under the lock-up agreements are waived, our Common Stock may become available for resale, subject to applicable law, including without notice, which could reduce the market price for our Common Stock. Our General Operations

The Company has outstanding warrants having a "cashless exercise" feature current geographic concentration where we provide services creates an exposure to local economies, regional downturns or severe weather or catastrophic occurrences that may materially adversely affect our financial condition and may cause dilution to existing stockholders. results of operations.

As part of its Registered Direct Offerings We currently conduct our commodities trading business in 2019, Shanghai and Shenzhen. We currently hold all our commodities inventory at the Company issued warrants warehouses we rent in Shanghai and Shenzhen. While we have insurance to purchase an aggregate of 2,760,000 shares of common stock. The warrants have a cashless exercise feature giving the holders the option of exercising the warrants cover certain losses on a cashless basis if there is no effective registration statement covering the common stock issuable upon exercise of these warrants. If the warrant shares are issued in such a cashless exercise, the warrant shares will take on the characteristics of the warrants being exercised, and the holding period of the warrant shares being issued may be tacked on to the holding period of the warrants in accordance with Section 3(a)(9).

The Company would not receive any proceeds from the exercise of warrants issued to the holder in such a cashless exercise, causing dilution to existing stockholders with no corresponding influx of capital. This may affect our ability to raise additional equity capital.

Our common stock may be thinly traded and our stockholders may be unable to sell at or near ask prices or at all if they need to sell their shares to raise money or otherwise desire to liquidate their shares.

Our Common Stock may be "thinly-traded", meaning that the number of persons interested in purchasing our Common Stock at or near bid prices at any given time may be relatively small or non-existent. This situation may be attributable to a number of factors, including the fact that we are a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and might be reluctant to follow an unproven company those commodities, events such as ours theft, fire, flood, or purchase or recommend the purchase of hail could adversely impact our shares until such time as we became more seasoned. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. Broad or active public trading market for our Common Stock may not develop or be sustained. business.

The market price for our common stock may be volatile and subject to wide fluctuations due to factors such as:

- the perception of U.S. investors and regulators of U.S. listed Chinese companies;
- actual or anticipated fluctuations in our operating results;
- changes in financial estimates by securities research analysts;
- negative publicity, studies or reports;
- changes in the economic performance or market valuations of other microcredit companies;
- announcements by us or our competitors of acquisitions, strategic partnerships, joint ventures or capital commitments;
- addition or departure of key personnel;
- fluctuations of exchange rates between RMB and the U.S. dollar; and
- general economic or political conditions in China.

In addition, our business is currently more susceptible to regional conditions than the securities market has from time operations of more geographically diversified competitors, and we are vulnerable to time experienced significant price and volume fluctuations economic downturns in those regions. Any unforeseen events or circumstances that are not related to the operating performance of particular companies. These market fluctuations may also negatively affect these areas could materially and adversely affect our revenues and profitability. These factors include, among other things, changes in demographics and population. In addition, severe weather conditions, acts of God and other catastrophic occurrences in the market price area in which we operate or from which we obtain inventory may materially adversely affect our financial condition and results of operations. Such conditions may result in physical damage to our common stock properties and loss of inventory. Any of these factors may disrupt our business and materially adversely affect our financial condition and results of operations. Furthermore, there can be no assurance that we will be able to successfully replicate our business model and achieve levels of success as we enter new geographic markets.

Volatility in Our failure to maintain a reputation of integrity and to otherwise maintain and enhance our common stock price may subject us to securities litigation. brand could adversely affect our business and results of operations.

Our business model is based on our ability to provide customers with commodities trading that we believe will save them time and money. If we fail to build and maintain a positive reputation, or if an event occurs that damages this reputation, it could adversely affect consumer demand and have a material adverse effect on our business and results of operations. Even the perception of a decrease in the quality of our brand could negatively impact results.

Complaints or negative publicity about our business practices, marketing and advertising campaigns, compliance with applicable laws and regulations, the integrity of the data that we provide to users, and other aspects of our business, especially on industry-specific blogs and social media websites, and irrespective of their validity, could diminish consumer confidence in our services and adversely affect our brand. The market for growing use of social media increases the speed with which information and opinions can be shared and, thus, the speed with which reputation can be affected. If we fail to correct or mitigate misinformation or negative information, including information spread through social media or traditional media channels, about us, the vehicles we offer, our common stock customer experience, or any aspect of our brand, it could have a material adverse effect on our business and results of operations.

Failure to adequately protect our intellectual property, technology and confidential information could harm our business and operating results.

Our business depends on our intellectual property, technology and confidential information, the protection of which is crucial to the success of our business. We attempt to protect our intellectual property, technology and confidential information by requiring certain of our employees and consultants to enter into confidentiality agreements and certain third parties to enter into nondisclosure agreements. In addition, these agreements may have, when compared not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property, or technology. Despite our efforts to seasoned issuers, significant price volatility protect our intellectual property, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we expect consider proprietary. Changes in the law or adverse court rulings may also negatively affect our ability to prevent others from using our technology.

We may be subject to claims asserting that our share price employees, consultants or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employees or claims asserting ownership of what we regard as our own intellectual property.

Although we try to ensure that our employees, consultants and advisors do not use the proprietary information or know-how of others in their work for us, we may continue be subject to claims that these individuals or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. Litigation may be more volatile than that of a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation necessary to defend against a company following periods of volatility these claims. If we fail in the market price of its securities. We defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in the future, be the target of similar litigation. Securities defending against such claims, litigation could result in substantial costs and liabilities and could divert management's attention and resources.

Provisions in our by-laws and Delaware laws might discourage, delay or prevent be a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Provisions of our by-laws and Delaware laws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders distraction to replace or remove our management. These provisions include:

- the inability of stockholders to act by written consent or to call special meetings;
- the ability of our board of directors to make, alter or repeal our by-laws; and
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder, unless such transactions are approved by our board of directors. The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

We are obligated. In addition, while we intend to develop, require our employees and maintain proper and effective internal control over financial reporting. We contractors who may not complete be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our analysis own. The assignment of our internal control over financial reporting in a timely manner, or these internal controls intellectual property may not be determined self-executing or the assignment agreement may be breached, and we may be forced to be effective, which bring claims against third parties, or defend claims that they may adversely affect investor confidence in bring against us, to determine the ownership of what we regard as our company and, as a result, the value of our common stock. intellectual property.

We will may in the future be required, pursuant subject to Section 404 intellectual property disputes, which are costly to defend and could harm our business and operating results.

We may, from time to time, face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties. We may be unaware of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness intellectual property rights that others may claim cover some or all of our internal control over financial reporting for fiscal 2014, technology or services. Patent and other intellectual property litigation may be protracted and expensive, the first fiscal year beginning after results are difficult to predict and may require us to stop offering some features, purchase licenses or modify our initial public offering. This assessment will need to include disclosure of any material weaknesses identified by our management products and features while we develop non-infringing substitutes or may result in significant settlement costs.

Even if these matters do not result in litigation, are resolved in our internal control over financial reporting favor or without significant cash settlements, these matters, and after we cease the time and resources necessary to litigate or resolve them, could harm our business, our operating results and our reputation.

We may be an "emerging growth company," subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, they could have a statement that our independent registered public accounting firm has issued an opinion material adverse effect on our internal control over business, results of operations and financial reporting. condition.

We may be subject to various litigation matters from time to time, which could have a material adverse effect on our business, results of operations and financial condition. Claims arising out of actual or alleged violations of law could be asserted against us by individuals, either individually or through class actions, by governmental entities in civil or criminal investigations, and proceedings or by other entities. These claims could be asserted under a variety of laws, including but not limited to consumer finance laws, consumer protection laws, intellectual property laws, privacy laws, labor and employment laws, securities laws and employee benefit laws. These actions could expose us to adverse publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, or FCPA, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the early stages purpose of the costly obtaining or retaining business. We have implemented these policies through our Code of Conduct. Corruption, extortion, bribery, pay-offs, theft and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed other fraudulent practices occur from time-to-time in China. While we make every effort to comply with Section 404. We may not be able to complete FCPA and our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if company Code of Conduct, we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert can make no assurance that our internal controls employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are effective, found to have engaged in such practices, we could suffer severe penalties and other consequences that will likely have a material adverse effect on our business, financial condition and results of operations.

If we are unable to assert that our internal control over financial reporting is effective, or if, when required, our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our Common Stock to decline, and we may be subject to investigation or sanctions by the SEC.

We will be required to disclose changes made in our internal controls and procedures on a quarterly basis.

Risks Related to Doing Business in China

We are a Delaware holding company that conducts its operations and operates its business in China through its PRC subsidiaries and variable interest entity. The Chinese regulatory authorities may disallow our holding structure or exert further control over our activities.

We are not a Chinese operating company; instead, we are a Delaware holding company that conducts our operations and operates its business in China through our PRC subsidiaries and variable interest entity. Such structure involves unique risks to our investors. The Chinese government may disallow the Company's current holding structure or determine that the contractual arrangements constituting part of the VIE are not compliant with PRC regulations, or that regulations could be changed or interpreted differently in the future, each of which could result in a material change in our operations and materially and adversely affect the value of shares of our common stock or our other securities and could cause the value of our shares or other securities to significantly decline or become worthless. Should the PRC government determine that the VIE structure is inconsistent with the laws and regulations of China, it may result in our inability to assert contractual control over the assets of our PRC subsidiaries or the VIE that conduct all or substantially all our operations.

Furthermore, the Chinese regulatory authorities may intervene in or influence the operation of PRC subsidiaries and exercise significant oversight and discretion over the conduct of their business or may exert more control over offerings conducted overseas by, and/or foreign investment in, China-based issuers, which could result in a material change in our operations and/or the value of our common stock. Further, rules and regulations in China may be changed from time to time, and any actions by the Chinese government to exert more oversight and supervision over offerings that are conducted overseas by, and/or foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

If the PRC government deems that the contractual arrangements in relation to the VIE do not comply with PRC regulations on foreign investment, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to penalties, or be forced to relinquish our interests in the operations of the VIE, which would materially and adversely affect our business, financial results, trading prices of our common stock.

We have entered into certain contractual arrangements with a variable interest entity, Tongdow Internet Technology, which contracts consist of (i) the Exclusive Business Cooperation Agreement, (ii) the Share Pledge Agreement, (iii) the Exclusive Option Agreement, (iv) the POA, and (v) the Reporting Agreement. See "Our Company — Our Business — VIE Agreements."

BAIYU and its shareholders do not own any equity interests in Tongdow Internet Technology. The VIE contractual arrangements with Tongdow Internet Technology and its equity holder enable BAIYU to consolidate the financial statements of the VIE and its subsidiaries under U.S. GAAP and to be regarded as the primary beneficiary of the VIEs for accounting purposes, and enable us to obtain substantially all of the economic benefits arising from Tongdow Internet Technology. Although we believe the structure we have adopted is consistent with longstanding industry practice, the PRC government may not agree that these arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future.

If we or Tongdow Internet Technology are found to be in violation of any existing or future PRC laws, rules or regulations, or fail to obtain or maintain any of the required permits or approvals, we could be subject to severe penalties. The relevant PRC regulatory authorities would have broad discretion to take action in dealing with these violations or failures, including revoking the business and operating licenses of our PRC subsidiary or Tongdow Internet Technology, requiring us to discontinue or restrict our operations, restricting our right to collect revenue, blocking one or more of our websites, requiring us to restructure our operations or taking other regulatory or enforcement actions against us. The imposition of any of these measures could result in a material adverse effect on our ability to conduct all or any portion of our business operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of Tongdow Internet Technology in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of Tongdow Internet Technology or otherwise separate from the entity and if we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of Tongdow Internet Technology in our consolidated financial statements. Any of these events would have a material adverse effect on our business, financial condition and results of operations.

The contractual arrangements with the VIE and its shareholder may be less effective than direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with the VIE and its shareholder to conduct our operations in China. These contractual arrangements, however, may be less effective than direct ownership in providing us with operational control over the VIE. For instance, the VIE and its shareholder could breach their contractual arrangements with us by, among other things, failing to conduct the operations of the VIE in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of the VIE in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the VIE, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by the VIE and its shareholder of their obligations under the contracts to direct the VIE's activities. The shareholder of the VIE may not act in the best interests of our company or may not perform its obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See “— We face uncertainty with respect to the enforceability of the contractual arrangements with the VIE and its shareholder, and any failure by the VIE or its shareholder to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.”

We face uncertainty with respect to the enforceability of the contractual arrangements with the VIE and its shareholder, and any failure by the VIE or its shareholder to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.

If the VIE or its shareholder fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For instance, if the shareholder of the VIE were to refuse to transfer its equity interests in the VIE to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations. In addition, if any third parties claim any interest in such shareholder's equity interests in the VIE, our ability to exercise shareholder's rights or foreclose the share pledge according to the contractual arrangements may be impaired. If these or other disputes between the shareholder of the VIE and third parties were to impair our contractual control over the VIE, our ability to consolidate the financial results of the VIE would be affected, which would in turn result in a material adverse effect our business, operations and financial condition.

All the agreements under our contractual arrangements with the VIE are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. As of the date of this report, the agreements under the contractual arrangements with the VIE have not been tested in a court of law. However, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective contractual control over the VIE, and our ability to conduct our business may be negatively affected. See “— Risks Related to Doing Business in China — Uncertainties with respect to the PRC legal system, including uncertainties regarding the interpretation and enforcement of laws, and sudden or unexpected changes of PRC laws and regulations with little advance notice could adversely affect us and limit the legal protections available to you and us, and the Chinese government may exert more oversight and control over offerings that are conducted overseas, which changes could materially hinder our ability to offer or continue to offer our securities, and cause the value of our securities to significantly decline or become worthless.”

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

Substantially all of our assets and operations are located in the PRC. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in the PRC generally. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, development, growth rate, **control management** of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant **control regulation** over the PRC's economic growth through allocating resources, **controlling managing** payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions in the PRC, in the policies of the Chinese government or in the laws and regulations in the PRC could have a material adverse effect on the overall economic growth of the PRC. Such developments could adversely affect our business and operating results, lead to a reduction in demand for our services and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government **control management** over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustment, to **control adjust** the pace of economic growth. These measures may cause decreased economic activity in the PRC, which may adversely affect our business and operating results.

Uncertainties with respect to A severe or prolonged downturn in the PRC legal system global or Chinese economy could materially and adversely affect us, our business and our financial condition.

The PRC legal system Although the Chinese economy has grown steadily in the past decade, there is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters generally. The overall effect of legislation considerable uncertainty over the past three decades has significantly enhanced long-term effects of the protections afforded to various forms expansionary monetary and fiscal policies adopted by the People's Bank of foreign investments China and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the PRC. However, Middle East, Europe and Africa, which have resulted in volatility in oil and other markets. There have also been concerns on the PRC has not developed a fully integrated legal system, relationship among China and recently enacted laws other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and regulations may not sufficiently cover all aspects of political policies and the expected or perceived overall economic activities growth rate in China. Any severe or prolonged slowdown in the PRC. In particular, the interpretation global or Chinese economy may materially and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may adversely affect our judgment on the relevance business, results of legal requirements operations and our ability to enforce our contractual rights or tort claims. In addition, these regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us. financial condition.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. In addition, any administrative and court proceedings in the PRC may be protracted, resulting in substantial costs and diversion of resources and management attention. Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. It is difficult to predict how long such appreciation of RMB Renminbi against the U.S. dollar may last and when and how the relationship between the RMB Renminbi and the U.S. dollar may change again. All of our revenues and substantially all of our costs are denominated in Renminbi. We are a Delaware holding company and we may rely on dividends and other distributions on equity paid by our operating PRC subsidiaries in China for our cash needs, and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. Any significant revaluation of Renminbi may materially and adversely affect our results of operations and financial position reported in Renminbi when translated into U.S. dollars, and the value of, and any dividends payable on, the common stock in U.S. dollars. To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our common stock or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount.

U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China.

Any disclosure of documents or information located in China by foreign agencies may be subject to jurisdiction constraints and must comply with China's state secrecy laws, which broadly define the scope of "state secrets" to include matters involving economic interests and technologies. There is no guarantee that requests from U.S. federal or state regulators or agencies to investigate or inspect our operations will be honored by us, by entities who provide services to us or with whom we associate, without violating PRC legal requirements, especially as those entities are located in China. Furthermore, under the current PRC laws, an on-site inspection of our facilities by any of these regulators may be limited or prohibited.

The PRC government's significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our common stock.

We conduct our business primarily through our PRC subsidiaries. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation, and our shares of stock may decline in value or become worthless. Also, the PRC government has recently indicated an intent to exert more oversight and supervision over offerings that are conducted overseas and foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. In addition, implementation of industry-wide regulations directly targeting our industry or our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face PRC regulatory uncertainty that may materially and adversely affect our business and operations and the value of our shares.

The PRC government has the ability to exert substantial supervision over any offering or listing of securities conducted overseas and/or foreign investment in China-based issuers, and, as a result, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless.

The PRC government recently initiated a series of regulatory actions and statements to regulate business operations in China, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using the variable interest entity structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement.

On February 17, 2023, the CSRC released the Trial Administrative Measures for Administration of Overseas Securities Offerings and Listings by Domestic Companies (the “Trial Measures”) and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three (3) working days after the offering is completed, which may subject us to additional compliance requirements in the future, and we cannot assure you that we will be able to get the clearance of filing procedures under the Trial Measures on a timely basis, or at all. If a domestic company fails to complete the filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties by the CSRC, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

As of the date of this report, none of the Company, our PRC subsidiaries, have received any filing or compliance requirements from CSRC for the listing at Nasdaq and all of its overseas offerings. As the Trial Measures were only enacted recently, there remains uncertainty as to the interpretation and implementation of the Trial Measures and the supporting guidelines, including but not limited to the interpretation of the concept “substance over form”, as well as other PRC regulatory requirements related to overseas securities offerings and other capital markets activities; thus, we cannot assure you that the relevant Chinese regulatory authorities, including the CSRC, would reach the same conclusion as us.

On February 24, 2023, the CSRC and other PRC governmental authorities jointly issued the revised Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (the “Revised Confidentiality Provisions”), which came into effect on March 31, 2023. According to the Revised Confidentiality Provisions, Chinese companies that directly or indirectly conduct overseas offerings and listings, shall strictly abide by the laws and regulations on confidentiality when providing or publicly disclosing, either directly or through their overseas listed entities, materials to securities services providers. In the event such materials contain state secrets or working secrets of government agencies, the Chinese companies shall first obtain approval from authorities, and file with the secrecy administrative department at the same level with the approving authority; in the event that such materials, if divulged, will jeopardize national security or public interest, the Chinese companies shall comply with procedures stipulated by national regulations. The Chinese companies shall also provide a written statement of the specific sensitive information provided when providing materials to securities service providers, and such written statements shall be retained for inspection. As the Revised Confidentiality Provisions were recently promulgated, their interpretation and implementation remain substantially uncertain.

As of the date of this report, we have not received any inquiry, notice, warning, or sanctions from CSRC or other Chinese governmental authorities. If the CSRC or other PRC governmental authorities later promulgate new rules or interpretations requiring that we obtain their approval for future offerings or listings outside of mainland China or for foreign investments in our securities, we may be unable to obtain such approvals in a timely manner, or at all. Any such circumstance could significantly or completely limit our ability to raise capital through securities offerings, hinder our ability to execute strategic plans in a timely manner or at all, and could cause the value of our securities to significantly decline.

The Holding Foreign Companies Accountable Act, recent regulatory actions taken by the SEC and PCAOB, and proposed rule changes submitted by U.S. stock exchanges calling for additional and more stringent criteria to be applied to China-based public companies could add uncertainties to our capital raising activities and compliance costs.

Pursuant to the Holding Foreign Companies Accountable Act (the “HFCAA”), if the Public Company Accounting Oversight Board (the “PCAOB”), is unable to inspect an issuer’s auditors for three consecutive years, the issuer’s securities are prohibited to trade on a U.S. stock exchange. The PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People’s Republic of China because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. Furthermore, the PCAOB’s report identified the specific registered public accounting firms which are subject to these determinations. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, legislation entitled “Consolidated Appropriations Act, 2023” (the “Consolidated Appropriations Act”) was signed into law by President Biden, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act and amended the HFCAA by requiring the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading. On August 26, 2022, the PCAOB announced that it had signed a SOP with the CSRC and the Ministry of Finance of China. The SOP Agreements establishes a specific, accountable framework to make possible complete inspections and investigations by the PCAOB of audit firms based in mainland China and Hong Kong, as required under U.S. law. On December 15, 2022, the PCAOB announced that it was able to secure complete access to inspect and investigate PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong completely in 2022. The PCAOB Board vacated its previous 2021 determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainties and depends on a number of factors out of our and our auditor’s control. The PCAOB continues to demand complete access in mainland China and Hong Kong moving forward and is making plans to resume regular inspections in early 2023 and beyond, as well as to continue pursuing ongoing investigations and initiate new investigations as needed. The PCAOB has also indicated that it will act immediately to consider the need to issue new determinations with the HFCAA if needed.

Each of Audit Alliance LLP, our previous auditor, and Enrome LLP, our current auditor, is based in Singapore and is registered with PCAOB and subject to PCAOB inspection. As of the date of this report, neither Audit Alliance LLP, our previous auditor, nor Enrome LLP, our current auditor, is based subject to the determinations as to inability to inspect or investigate completely as announced by the PCAOB on December 16, 2021. However, we cannot assure you whether Nasdaq or regulatory authorities would not apply additional and more stringent criteria to us after considering the effectiveness of our auditor’s audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements.

We are subject to a variety of laws and regulations regarding cybersecurity and data protection, and any failure to comply with applicable laws and regulations, including improper use or appropriation of personal information provided directly or indirectly by our customers or end users, could have a material adverse effect on our business, financial condition and results of operations.

In China, regulatory authorities have implemented and may implement further legislative and regulatory proposals concerning cybersecurity, information security, privacy, and data protection. New laws and regulations may be introduced, or existing ones may be interpreted or applied in ways that are uncertain or change over time. Non-compliance with these regulations could result in penalties or significant legal liabilities. On November 7, 2016, the Standing Committee of the National People’s Congress of the PRC issued the Cyber Security Law of the PRC, or Cyber Security Law, which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators must not collect users’ personal information without their consent and may only collect users’ personal information necessary to the provision of services. Providers are also obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations. The Civil Code of the PRC (issued by the National People’s Congress of the PRC on May 28, 2020 and effective from January 1, 2021) provides the main legal basis for privacy and personal information infringement claims under PRC civil law.

PRC regulators, including the CAC, the Ministry of Industry and Information Technology, and the Ministry of Public Security, have been increasingly focused on regulation in areas of data security and data protection. The PRC regulatory requirements regarding cybersecurity are constantly evolving. For instance, various PRC regulatory bodies, including the CAC, the Ministry of Public Security and the State Administration for Market Regulation (the “SAMR”), have enforced data privacy and protection laws and regulations with varying and evolving standards and interpretations. In addition, certain internet platforms in mainland China have reportedly been subject to heightened regulatory scrutiny in relation to cybersecurity matters.

In April 2020, the PRC government promulgated the Cybersecurity Review Measures (the “2020 Cybersecurity Review Measures”), which came into effect on June 1, 2020. In July 2021, the CAC and other related authorities released a draft amendment to the 2020 Cybersecurity Review Measures for public comments. On December 28, 2021, the PRC government promulgated amended Cybersecurity Review Measures (the “2022 Cybersecurity Review Measures”), which came into effect and replaced the 2020 Cybersecurity Review Measures on February 15, 2022. Compared with the 2020 Cybersecurity Review Measures, the 2022 Cybersecurity Review Measures contain the following key changes: (i) internet platform operators who are engaged in data processing are also subject to the regulatory scope; (ii) the CSRC is included as one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review mechanism; (iii) internet platform operators holding personal information of more than one million users and seeking to have their securities list on a stock exchange in a foreign country shall file for cybersecurity review with the Cybersecurity Review Office; (iv) the risks of core data, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or illegally transmitted to overseas parties and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously by foreign governments and any cybersecurity risk after a company’s listing on a stock exchange shall be collectively taken into consideration during the cybersecurity review process; and (v) critical information infrastructure operators and internet platform operators covered by the 2022 Cybersecurity Review Measures shall take measures to prevent and mitigate cybersecurity risks in accordance with the requirements therein. According to the 2022 Cybersecurity Review Measures, (i) critical information infrastructure operators that purchase network products and services and internet platform operators that conduct data processing activities shall be subject to cybersecurity review in accordance with the 2022 Cybersecurity Review Measures if such activities affect or may affect national security; and (ii) internet platform operators holding personal information of more than one million users and seeking to have their securities list on a stock exchange in a foreign country shall file for cybersecurity review with the Cybersecurity Review Office. Under the Regulation on Protecting the Security of Critical Information Infrastructure promulgated by the State Council on July 30, 2021, effective September 1, 2021, “critical information infrastructure” is defined as important network facilities and information systems in important industries and fields, such as public telecommunication and information services, energy, transportation, water conservancy, finance, public services, e-government and national defense, science, technology and industry, as well as other important network facilities and information systems that, in case of destruction, loss of function or leak of data, may severely damage national security, the national economy and the people’s livelihood and public interests. And the PRC competent authorities shall be responsible for organizing the determination of critical information infrastructure in the industry and field concerned according to the determination rules, and inform the critical information infrastructure operators of the determination results in a timely manner and notify the public security department under the State Council of the same. As of the date of this report, neither we nor any of our PRC subsidiaries has been informed by any PRC governmental authority that we or any of our PRC subsidiaries is a “critical information infrastructure operator.” Based on the opinion of our PRC counsel, Tahota (Beijing) Law Firm, according to its interpretation of the currently in-effect PRC laws and regulations, neither we nor any of our PRC subsidiaries qualify as a critical information infrastructure operator. As of the date of this report, neither we nor any of our PRC subsidiaries have conducted any data processing activities that affected or may affect national security, or hold personal information of more than one million users. On November 14, 2021, the CAC released the draft Administrative Regulation on Network Data Security for public comments through December 13, 2021 (the “Draft Regulation on Network Data Security”). Under the Draft Regulation on Network Data Security, (i) data processors, i.e., individuals and organizations who can decide on the purpose and method of their data processing activities at their own discretion, that process personal information of more than one million individuals shall apply for cybersecurity review before listing in a foreign country; (ii) foreign-listed data processors shall carry out annual data security evaluation and submit the evaluation report to the municipal cyberspace administration authority; and (iii) where the data processor undergoes merger, reorganization and subdivision that involves important data and personal information of more than one million individuals, the recipient of the data shall report the transaction to the in-charge authority at the municipal level.

As of the date of this report, neither we nor any of our PRC subsidiaries has been required by any PRC governmental authority to apply for cybersecurity review, nor have we or any of our PRC subsidiaries received any inquiry, notice, warning, sanction in such respect or been denied permission from any PRC regulatory authority to list on U.S. exchanges. Based on the opinion of our PRC counsel, Tahota (Beijing) Law Firm, according to its interpretation of the currently in-effect PRC laws and regulations, neither we nor any of our PRC subsidiaries are subject to the cybersecurity review, by the CAC under the 2022 Cybersecurity Review Measures with respect to the offering of our securities or the business operations of our PRC subsidiaries, because neither we nor any of our PRC subsidiaries qualifies as a critical information infrastructure operator or has conducted any data processing activities that affect or may affect national security or holds personal information of more than one million users. However, as PRC governmental authorities have significant discretion in interpreting and implementing statutory provisions and there remains significant uncertainty in the interpretation and enforcement of relevant PRC cybersecurity laws and regulations if the PRC regulatory authorities take a position contrary to ours, we cannot assure you that we or any of our PRC subsidiaries will not be deemed to be subject to PRC cybersecurity review requirements under the 2022 Cybersecurity Review Measures or the Draft Administrative Regulations (if enacted) as a critical information infrastructure operator or an internet platform operator that is engaged in data processing activities that affect or may affect national security or holds personal information of more than one million users, nor can we assure you that we or our PRC subsidiaries would be able to pass such review. If we or any of our PRC subsidiaries fails to receive any requisite permission or approval from the CAC for the business operations of our PRC subsidiaries, or the waiver for such permission or approval, in a timely manner, or at all, or inadvertently concludes that such permission or approval is not required, or if applicable laws, regulations or interpretations change and obligate us to obtain such permission or approvals in the future, we or our PRC subsidiaries may be subject to fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations. In addition, we could become subject to enhanced cybersecurity review or investigations launched by PRC regulators in the future pursuant to new laws, regulations or policies. Any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with applicable laws and regulations may result in fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations.

On June 10, 2021, the Standing Committee of the National People's Congress of the PRC, promulgated the PRC Data Security Law, which became effective in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development and the degree of harm it will cause to national security, public interests or the rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked or illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law, effective November 1, 2021. The Personal Information Protection Law clarifies the definition of personal information, which excludes information that has been anonymized, and the required procedures for personal information processing, the obligations of personal information processors, and individuals' personal information rights and interests. The Personal Information Protection Law provides that, among other things, (i) the processing of personal information is only permissible under certain circumstances, such as prior consent from the subject individual, fulfillment of contractual and legal obligations, furtherance of public interests or other circumstances prescribed by laws and regulations; (ii) the collection of personal information should be conducted in a disciplined manner with as little impact on individuals' rights and interests as possible; and (iii) excessive collection of personal information is prohibited. In particular, the Personal Information Protection Law provides that personal information processors should ensure the transparency and fairness of automated decision-making based on personal information, refrain from offering unreasonably differentiated transaction terms to different individuals and, when sending commercial promotions or information updates to individuals selected through automated decision-making, simultaneously offer such individuals an option not based on such individuals' specific characteristics or a more convenient way for such individuals to turn off such promotions.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Outbound Data Transfer, or the Data Transfer Measures, which became effective on September 1, 2022, pursuant to which, to provide data abroad under any of the following circumstances, a data processor shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through the local provincial cyberspace administration: (i) the data processor provides important data abroad; (ii) the critical information infrastructure operator or the data processor that has processed the personal information of over one million people provides personal information abroad; (iii) the data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad; and (iv) any other circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration. As of the date of this report, the data collected and generated in our business does not have a bearing on national security, economic operation, social stability, public health and security, among others, and thus may not be classified as important data by the authorities, and, neither we nor any of our PRC subsidiaries have ever provided any personal information collected and generated in the operations within the territory of the PRC to overseas recipients. Given the abovementioned facts and based on the opinion of our PRC legal counsel, Tahota (Beijing) Law Firm, according to its interpretation of the currently in-effect PRC laws and regulations, we or any of our PRC subsidiaries is engaged in any activity that is subject to security assessment as outlined in the Data Transfer Measures. However, as PRC governmental authorities have significant discretion in interpreting and implementing statutory provisions and there remains significant uncertainty in the interpretation and enforcement of relevant PRC data security laws and regulations if the PRC regulatory authorities take a position contrary to ours, we cannot assure you that the activities we or any of our PRC subsidiaries engaging in will not be deemed to be subject to PRC security assessment as stipulated in the Data Transfer Measures in the future, nor can we assure you that we or our PRC subsidiaries would be able to pass such assessment. The promulgation of the above-mentioned laws and regulations indicates heightened regulatory scrutiny from PRC regulatory authorities in areas such as data security and personal information protection.

As uncertainties remain regarding the interpretation and implementation of these laws and regulations, we cannot assure you that we or our PRC subsidiaries will be able to comply with such regulations in all respects, and we or our PRC subsidiaries may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities. In addition, while our PRC subsidiaries take various measures to comply with all applicable data privacy and protection laws and regulations, there is no guarantee that our current security measures, operation and those of our third-party service providers may always be adequate for the protection of our users, employee or company data against security breaches, cyberattacks or other unauthorized access, which could result in loss or misuse of such data, interruptions to our service system, diminished user experience, loss of user confidence and trust and impairment of our technology infrastructure and harm our reputation and business, resulting in fines, penalties and potential lawsuits.

Regulatory uncertainties relating to, or failure to comply with, anti-monopoly and competition laws could adversely affect our business, financial condition, or operating results.

The PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement under the PRC Anti-monopoly Law, including levying significant fines, with respect to concentration of undertakings and cartel activity, mergers and acquisitions, as well as abusive behavior by companies with market dominance. In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the Ministry of Commerce of People's Republic of China ("MOFCOM"), the National Development and Reform Commission of the PRC, and State Administration of Industry and Commerce of the PRC. The SAMR issued a new set of guidelines with respect to merger control review in September 2018, and issued the Notice on Anti-monopoly Enforcement Authorization on December 28, 2018, which grants authorizations to the SAMR's provincial branches to enforce anti-monopoly laws within their respective jurisdictions. The SAMR has imposed several administrative penalties on various companies for failing to duly make filings as to their transactions subject to merger control review by the SAMR. The scope of the companies that were penalized is broad, and covers a variety of different industries.

Significant regulatory uncertainty existed as to whether prior filing of notification of concentration is required for business concentration involving variable interest entities prior to 2020. In November 2020, the Anti-monopoly Bureau of SAMR released the draft Guidelines on Anti-monopoly Issues in Platform Economy, or the Platform Economy Anti-monopoly Guidelines, for public comment and in February 2021, adopted the Platform Economy Anti-monopoly Guidelines, which for the first time specified that, any concentration made between the variable interest entities shall be regulated by the Anti-monopoly Law. In addition, the Platform Economy Anti-monopoly Guidelines set out detailed standards and rules in respect of the definition of relevant markets, typical types of cartel activities and abusive behaviors by online platform operators with market dominance, which provide further guidelines for enforcement of anti-monopoly laws against online platform operators. For instance, online platform operators that use technological advantages, such as data and algorithms, to eliminate or restrict competition or impose price restrictions or exclusivity requirements on users may be deemed to be abusing dominant market position.

Prior to the effectiveness of the Platform Economy Anti-monopoly Guidelines, the SAMR has already fined certain companies that acquired businesses using variable interest entities without obtaining merger control approval or without prior filing of notification of concentration, indicating its increased scrutiny over historical cases of concentration of undertakings involving companies using variable interest entities and heightened enforcement efforts over past failure to file prior notification of concentration of undertakings for such transactions. Since 2020, the SAMR has fined companies that acquired or merged with or cooperated with onshore or offshore entities, including those operated through variable interest entities, for failure to file prior notification before conducting the mergers or cooperation transactions.

Although we do not believe we were legally required to make a merger control review filing or obtain merger control approval in relation to the historical merger, there can be no assurance that regulators will agree with us, particularly, in light of the enforcement actions since 2020. In addition, as there were few cases where companies using variable interest entities were investigated for failure to make filings in connection with concentration of undertakings prior to 2020, we did not file prior notification of concentration of undertakings for our historical transactions. There can also be no assurance that regulators will not initiate other anti-monopoly enquiry or investigation into, or take enforcement actions against, the historical merger or require us to submit filings in relation to such historical transactions. We may be subject to penalty in connection with any such enquiry or investigation, if we are determined by the SAMR to have failed to make the requisite filings, including fines up to RMB500,000 per case, and in extreme cases where any such transaction is determined by the SAMR to have constituted concentration of undertakings under the applicable PRC anti-monopoly law, we may be ordered to terminate the contemplated concentration, to dispose of our equity or asset within a prescribed period, or to transfer our business within a prescribed time or to take any other necessary measures to return to the pre-concentration status. We may also be subject to claims from our competitors or users, which could adversely affect our business and operations. Furthermore, any new requirements or restrictions, or proposed requirements or restrictions, could result in adverse publicity or fines against us.

On June 24, 2022, the Decision of the Standing Committee of the National People's Congress to Amend the Anti-Monopoly Law of the PRC was adopted and became effective on August 1, 2022, which stipulates that the State Council's anti-monopoly enforcement agency may order business operators to cease illegal concentration, to dispose of shares, assets or businesses within a defined period of time, or to take other necessary measures to restore to the state before the concentration. The enforcement agency may also impose upon a business operator (i) a fine up to ten percent of the business operator's sales revenue in the past year, if the concentration of undertakings has or may have an effect of excluding or limiting competition, or (ii) a fine up to RMB5 million if the concentration of undertakings does not have the effect of excluding or limiting competition. Stricter anti-monopoly and anti-unfair competition enforcement by the PRC regulatory authorities, especially enforcement actions focused on platform economy, may, among other things, prohibit us from future acquisitions, divestitures or combinations our plans to make, impose fines or penalties, require divestiture of certain of our assets, or impose other restrictions that limit or require us to modify its operations, including limitations on our contractual relationships or restrictions on our pricing or revenue models, which could materially and adversely affect our business, financial condition, results of operations and future prospects.

Furthermore, as we continue to navigate the evolving legislative environment and varied local implementation practices of anti-monopoly and competition laws and regulations in the PRC, we have attended and may continue to be required to attend administrative guidance meetings or other communications with regulators from time to time. We may continue to receive greater scrutiny and attention from regulators and more frequent and stringent investigations or reviews by regulators, which will increase our compliance costs. It could also be time-consuming to comply with the relevant regulations described above to complete future transactions and carry out our business operations. Heightened regulatory inquiries, investigations and other governmental actions and approval requirements from governmental authorities such as the SAMR may be uncertain and could delay or inhibit our ability to complete these transactions and carry out our business operations, which could affect our ability to expand its business, maintain its market share or otherwise achieve the goals of our acquisition strategy, divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, and/or materially and adversely affect our financial conditions, operations and business prospects.

As of the date hereof, regulatory actions related to data security or anti-monopoly concerns in Hong Kong do not have a material impact on our ability to conduct business, accept foreign investment in the future, continue to list on a United States stock exchange. However, new regulatory actions related to data security or anti-monopoly concerns in Hong Kong may be taken in the future, and such regulatory actions may have a material impact on our ability to conduct business, accept foreign investment, continue to list on a United States stock exchange.

Certain judgments obtained against us by our shareholders may not be enforceable.

BAIYU Holdings, Inc. is a Delaware holding company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted through our subsidiaries incorporated in mainland China and the VIE, Tongdow Internet Technology, incorporated in mainland China. In addition of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to enforce in U.S. courts of the judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors as none of them currently resides in the United States or has substantial assets located in the United States. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

We do have a holding company in Hong Kong. We also have a management member who is Hong Kong residents and reside within Hong Kong for a significant portion of the time. You may incur additional costs and procedural obstacles in effecting service of legal process, enforcing foreign judgments or bringing actions in Hong Kong against us or our management named in the prospectus, as judgments entered in the U.S. can be enforced in Hong Kong only at common law. If you want to enforce a judgment of the U.S. in Hong Kong, it must be a final judgment conclusive upon the merits of the claim, for a liquidated amount in a civil matter and not in respect of taxes, fines, penalties, or similar charges, the proceedings in which the judgment was obtained were not contrary to natural justice, and the enforcement of the judgment is not contrary to public policy of Hong Kong. Such a judgment must be for a fixed sum and must also come from a “competent” court as determined by the private international law rules applied by the Hong Kong courts.

Furthermore, foreign judgments of the U.S. courts will not be directly enforced in Hong Kong as there are currently no treaties or other arrangements providing for reciprocal enforcement of foreign judgments between Hong Kong and the U.S. However, the common law permits an action to be brought upon a foreign judgment. That is to say, a foreign judgment itself may form the basis of a cause of action since the judgment may be regarded as creating a debt between the parties to it. In a common law action for enforcement of a foreign judgment in Hong Kong, the enforcement is subject to various conditions, including but not limited to, that the foreign judgment is a final judgment conclusive upon the merits of the claim, the judgment is for a liquidated amount in civil matter and not in respect of taxes, fines, penalties, or similar charges, the proceedings in which the judgment was obtained were not contrary to natural justice, and the enforcement of the judgment is not contrary to public policy of Hong Kong. Such a judgment must be for a fixed sum and must also come from a “competent” court as determined by the private international law rules applied by the Hong Kong courts. The defenses that are available to a defendant in a common law action brought on the basis of a foreign judgment include lack of jurisdiction, breach of natural justice, fraud, and contrary to public policy. However, a separate legal action for debt must be commenced in Hong Kong in order to recover such debt from the judgment debtor. As a result, subject to the conditions with regard to enforcement of judgments of United States courts being met, including but not limited to the above, a foreign judgment of United States of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any State or territory within the U.S. could be enforceable in Hong Kong.

Uncertainties with respect to the PRC legal system, including uncertainties regarding the interpretation and enforcement of laws, and sudden or unexpected changes of PRC laws and regulations with little advance notice could adversely affect us and limit the legal protections available to you and us, and the Chinese government may exert more oversight and control over offerings that are conducted overseas, which changes could materially hinder our ability to offer or continue to offer our securities, and cause the value of our securities to significantly decline or become worthless.

Our operating subsidiaries are incorporated under and governed by the laws of the PRC. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As a significant part of our business is conducted in China, our operations are principally governed by PRC laws and regulations. However, since the PRC legal system continues to evolve rapidly, rules and regulations in China can change quickly with little advance notice. The interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws and regulations involve uncertainties, which may limit legal protections available to us. Uncertainties due to evolving laws and regulations could also impede the ability of a China-based company like us, to obtain or maintain permits or licenses required to conduct business in China. In the absence of required permits or licenses, governmental authorities could impose material sanctions or penalties on us. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other PRC government authorities (including local government authorities), thus making strict compliance with all regulatory requirements impractical, or in some circumstances impossible. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate or predict the outcome of administrative and court proceedings and the level of legal protection available to you and us than in more developed legal systems.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

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.

Given recent statements by the Chinese government indicating an intent to exert more oversight and control over securities offerings and other capital markets activities that are conducted overseas and foreign investment in China-based companies like us. Although we are currently not required to obtain permission from any of the PRC central or local government and has not received any notice of denial to list on the U.S. exchange, it is uncertain whether or when we might be required to obtain permission from the PRC government to list on U.S. exchanges in the future, and even if such permission is obtained, whether it will be later denied or rescinded, which could significantly limit or completely hinder our ability to offer or continue to offer our securities to investors and cause the value of our shares to significantly decline or be worthless. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas could materially and adversely hinder our ability to offer or continue to offer our securities, and cause the value of our securities to significantly decline or become worthless.

The Chinese government has substantial oversight and influence over the manner in which we must conduct our business and may intervene or influence our operations at any time, which actions could impact our operations materially and adversely, and significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or be worthless. The Chinese government has significant oversight and discretion over the conduct of our business and may intervene or influence our operations at any time as the government deems appropriate to further regulatory, political and societal goals. For instance, the Chinese government has recently published new policies that significantly affected certain industries such as the education and internet industries. The Chinese government has exercised, and continues to exercise, substantial control over virtually every sector of the Chinese economy through regulation and state ownership, which could materially and adversely impact the results of our operations and future prospects.

Our ability to operate in the PRC may be further harmed by changes in its laws and regulations. The central or local governments of the PRC may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in the PRC or particular regions thereof. We cannot rule out the possibility that it will in the future release regulations or policies regarding our industry that could adversely affect our business, financial condition, results of operations and the value of our shares.

Our business is also subject to various government and regulatory interference. We could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. The Company may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. Our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to our business or industry, which could result in further material changes in our operations and adversely impact the value of our securities.

Accordingly, government actions in the future, including any decision to intervene or influence the operations of our PRC subsidiaries at any time or to exert control over an offering of securities conducted overseas and/or foreign investment in China-based issuers, may cause us to make material changes to the operations of our PRC subsidiaries, may limit or completely hinder our ability to offer or continue to offer securities to investors, and/or may cause the value of such securities to significantly decline or be worthless.

The failure to comply with PRC regulations relating to mergers and acquisitions of domestic enterprises by offshore Special Purpose Vehicle (SPV) may subject us to severe fines or penalties and create other regulatory uncertainties regarding our corporate structure.

On August 8, 2006, MOFCOM, joined by the CSRC, the State-owned Assets Supervision and Administration Commission of the State Council, the State Taxation Administration, the State Administration for Industry and Commerce, and the State Administration of Foreign Exchange of China (“SAFE”), jointly promulgated regulations entitled the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), which took effect on September 8, 2006, and as amended on June 22, 2009. This regulation, among other things, has certain provisions that require offshore SPV formed for the purpose of acquiring PRC domestic companies and controlled directly or indirectly by PRC individuals and companies, to obtain the approval of MOFCOM prior to engaging in such acquisitions and to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock market. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval.

In addition, the Provisions of Ministry of Commerce on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, issued by MOFCOM in August 2011, specify that mergers and acquisitions by foreign investors involved in “an industry related to national security” are subject to strict review by MOFCOM, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement.

On March 15, 2019, the PRC National People’s Congress enacted the Foreign Investment Law of the PRC (the “Foreign Investment Law”), which became effective on January 1, 2020. The Foreign Investment Law has replaced the previous major laws and regulations governing foreign investment in the PRC, including the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC, the Sino-foreign Co-operative Enterprises Law of the PRC and the Wholly Foreign-invested Enterprise Law of the PRC. According to the Foreign Investment Law, “foreign-invested enterprises” refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC laws within China, and “foreign investment” refers to any foreign investor’s direct or indirect investment activities in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining stock shares, equity shares, shares in properties or other similar interests of Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) investing through other methods provided by laws, administrative regulations or provisions prescribed by the State Council.

On December 26, 2019, the State Council issued Implementation Regulations for the Foreign Investment Law of the PRC (the “Implementation Rules”) which came into effect on January 1, 2020, and replaced the Implementing Rules of the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC, the Implementing Rules of the Sino-foreign Co-operative Enterprises Law of the PRC and the Implementing Rules of the Wholly Foreign-invested Enterprise Law of the PRC. According to the Implementation Rules, in the event of any discrepancy between the Foreign Investment Law, the Implementation Rules and the relevant provisions on foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the Implementation Rules will prevail. The Implementation Rules also set forth that foreign investors that invest in sectors on the “Negative List” in which foreign investment is restricted shall comply with special management measures with respect to, among others, shareholding and senior management personnel qualification in the Negative List. Pursuant to the Foreign Investment Law and the Implementation Rules, the existing foreign-invested enterprises established prior to the effective date of the Foreign Investment Law are allowed to keep their corporate organization forms for five years from the effectiveness of the Foreign Investment Law before such existing foreign-invested enterprises must change their organization forms and organization structures in accordance with the PRC Company Law, the Partnership Enterprise Law of the PRC and other applicable laws.

After the Foreign Investment Law and the Implementation Rules became effective on January 1, 2020, the provisions of the M&A Rules remained effective to the extent they are not inconsistent with the Foreign Investment Law and the Implementation Rules. We believe that our business is not in an industry related to national security, but we cannot preclude the possibility that the competent PRC government authorities may publish explanations contrary to our understanding or broaden the scope of such security reviews in the future, in which case our future acquisitions and investment in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Moreover, according to the Anti-Monopoly Law of the PRC, the SAMR shall be notified in advance of any concentration of undertaking if certain filing thresholds are triggered. We may grow our business in part by directly acquiring complementary businesses in China. Complying with the requirements of the laws and regulations mentioned above and other PRC regulations necessary to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the SAMR, may delay or inhibit our ability to complete such transactions, which could materially and adversely affect our ability to expand our business or maintain our market share.

Regulations relating to offshore investment activities by PRC residents may limit our ability to acquire PRC companies and could adversely affect our business.

In July 2014, SAFE promulgated the Circular on Issues Concerning Foreign Exchange Administration over the Overseas Investment and Financing and Roundtrip Investment by Domestic Residents via SPV, or Circular 37, which replaced Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment through Offshore SPV, or Circular 75. Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, referred to in Circular 37 as a SPV for the purpose of holding domestic or offshore assets or interests. Circular 37 further requires amendment to a PRC resident's registration in the event of any significant changes with respect to the SPV, such as an increase or decrease in the capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. Under these regulations, PRC residents' failure to comply with specified registration procedures may result in restrictions being imposed on the foreign exchange activities of the relevant PRC entity, including the payment of dividends and other distributions to its offshore parent, as well as restrictions on capital inflows from the offshore entity to the PRC entity, including restrictions on its ability to contribute additional capital to its PRC subsidiaries. Further, failure to comply with the SAFE registration requirements could result in penalties under PRC law for evasion of foreign exchange regulations.

In addition, different local SAFE branches may have different views and procedures as to the interpretation and implementation of the SAFE regulations, and it may be difficult for our ultimate shareholders or beneficial owners who are PRC residents to provide sufficient supporting documents required by SAFE or to complete the required registration with SAFE in a timely manner, or at all. Any failure by any of our shareholders who is a PRC resident, or is controlled by a PRC resident, to comply with relevant requirements under these regulations could subject us to fines or sanctions imposed by the PRC government.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds from our subsequent offerings to make loans or additional capital contributions to our PRC subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are a Delaware holding company conducting our operations in China through (i) our subsidiaries incorporated in mainland China and (ii) the VIE incorporated in mainland China. We may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries, or we may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction. Most of these ways are subject to PRC regulations and approvals or registration. For example, loans by us to our wholly owned PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance our wholly owned PRC subsidiary by means of capital contributions, these capital contributions are subject to registration with the State Administration for Market Regulation or its local branch, reporting of foreign investment information with the PRC Ministry of Commerce, or registration with other governmental authorities in China.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or the SAFE Circular 19, effective June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in the SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of the SAFE Circular 19 and the SAFE Circular 16 could result in administrative penalties. The SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our subsequent offering, to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 23, 2019, SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, since the SAFE Circular 28 is newly promulgated, it is unclear how SAFE and competent banks will carry this out in practice.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans to our PRC subsidiary or future capital contributions by us to our PRC subsidiary. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiary when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from our subsequent offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

To the extent cash in the business is in the mainland PRC or Hong Kong or a PRC or Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of restrictions and limitations under the PRC laws and regulations.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. To the extent that our income is received in RMB, shortages in foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE, as long as certain procedural requirements are met. Approval from appropriate government authorities is required if Renminbi is converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions.

To address persistent capital outflows and the RMB's depreciation against the U.S. dollar in the fourth quarter of 2016, the People's Bank of China and SAFE implemented a series of capital control measures in the subsequent months, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls and our PRC subsidiaries' dividends and other distributions may be subject to tightened scrutiny in the future. The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of the PRC. Therefore, we may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency for the payment of dividends from our profits, if any. Furthermore, there can be no assurance that the PRC government will not intervene or impose restrictions on our ability to transfer or distribute cash within our organization or to foreign investors, which could result in an inability or prohibition on making transfers or distributions outside of China and adversely affect our business as well as your investment. To the extent cash in the business is in the mainland PRC or Hong Kong or a PRC or Hong Kong entity, the funds may not be available to fund operations or for other use outside of the PRC or Hong Kong due to interventions in or the imposition of such restrictions and limitations.

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

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within China is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT issued the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (the "SAT Circular 82"), which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (1) the primary location of the day-to-day operational management is in China; (2) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (4) at least 50% of voting board members or senior executives habitually reside in China.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that our company or any of our subsidiaries outside of China is a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, non-resident enterprise shareholders (including the common stockholders) may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of our common stock, if such income is treated as sourced from within China. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders and any gain realized on the transfer of our common stock by such shareholders may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprises or a rate of 20% in the case of non-PRC individuals unless a reduced rate is available under an applicable tax treaty. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our common stock.

In addition to the uncertainty as to the application of the “resident enterprise” classification, we cannot assure you that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements or higher tax rates. Any of such changes could materially and adversely affect our results of operations and financial condition.

Risk Factors Related to the Our Business and Industry

There is no assurance that we will be able to manage the commodities trading business effectively.

Operating the commodities trading business is a significant challenge and there is no assurance that we will be able to manage the integration successfully. If we are unable to efficiently integrate these businesses, the attention of our management could be diverted from our existing operations and the ability of the management teams at these business units to meet operational and financial expectations could be adversely impacted, which could impair our ability to execute our business plans. Failure to successfully integrate the new commodities trading business or to realize the expected benefits of entry into the business may have an adverse impact on our results of operations and financial condition.

Investment in our new line of business could disrupt the Company’s ongoing business and present risks not originally contemplated.

We have deployed a significant amount of proceeds from our financings in our new commodities business line, Shenzhen Baiyu Jucheng. New ventures are inherently risky and may not be successful. In evaluating such endeavors, we are required to make difficult judgments regarding the value of business strategies, opportunities, technologies and other assets, and the risks and cost of potential liabilities. Furthermore, these investments involve certain other risks and uncertainties, including the risks involved with entering new competitive categories or regions, the difficulty in integrating the new business, the challenges in achieving strategic objectives and other benefits expected from our investment, the diversion of our attention and resources from our operations and other initiatives, the potential impairment of acquired assets and liabilities and the performance of underlying products, capabilities or technologies.

We may not be able to ensure the successful implementation of our strategy to diversify our businesses.

We have entered into the commodities trading business. Such initiatives involve various risks including but not limited to the investment costs in establishing a distribution network within the PRC, leasing warehouses, offices and other working capital requirements. There is no assurance that such future plans can be successfully implemented as the successful execution of such future plans will depend on several factors, some of which are not within our control, such as retaining and recruiting qualified and skilled staff, and the continued demand for our products by our customers. Failure to implement any part of our future plans or execute such plan costs effectively, may lead to a material adverse change in our operating environment or affect our ability to respond to market or industry changes, which may, in turn, adversely affect our business and financial results.

Our success depends substantially upon the continued retention of our senior management.

Our future success is substantially dependent on the continued service of certain members of our senior management, including Ms. Renmei Ouyang, our Chairwoman and Chief Executive Officer, Mr. Wenhao Cui, our Chief Financial Officer. These officers play an integral role in determining our strategic direction and for executing our growth strategy and are important to our brand and culture. The loss of the services of any of these executives without qualified replacement could have a material adverse effect on our business and prospects, as we may not be able to find suitable individuals to replace them on a timely basis, if at all. In addition, any such departure could be viewed negatively by investors and analysts, which could cause the price of our ordinary shares to decline.

Our business depends on adequate supply and availability of nonferrous metal commodities.

Our planned business requires nonferrous metal commodities that are sourced from third party suppliers. We are affected by industry supply conditions, which generally involve risks beyond our control, including costs of these materials, transportation costs and market demand. As a result, we may not be able to obtain an adequate supply of quality nonferrous metal commodities in a timely or cost-effective manner, which would have a material adverse effect on our business, financial condition and results of operations.

A decline in our key business sectors or a reduction in consumer demand generally could have a material adverse effect on our business.

A large portion of our supply chain management services revenue comes from clients in the energy, material and industrial sectors, which is intensely competitive, very volatile, and subject to rapid changes and fluctuations in the overall economic conditions. Declines in the overall performance of the energy, material and industrial sectors have in the past and could in the future, adversely affect the demand for our supply chain management services and reduce our revenue and profitability from these clients. In addition, industry changes, such as the transition of more collateral materials from physical form to digital form and changes in marketing channels, could lessen the demand for certain of our services we currently handle. To the extent recent uncertainty in the economy or other factors result in decreased demand for our clients' products, we may experience a reduction in volumes of client products that we handle which could have a material adverse effect on our supply chain management services business, financial position and operating results.

We operate in a business that is cyclical and where demand can be volatile, which could have a material adverse effect on our business, financial condition or results of operations.

We operate in a business that is cyclical and where demand can be volatile, which could have a material adverse effect on our results of operations and financial condition. The timing and magnitude of the cycles in the business in which we operate are difficult to predict. Purchase prices for the raw materials we purchase, and selling prices for our products are volatile and beyond our control. While we attempt to respond to changing raw material costs through adjustments to the sales price of our products, our ability to do so is limited by competitive and other market factors. A significant reduction in selling prices for our products may have a material adverse effect on our business, financial condition and results of operations, and adversely impact our ability to recover purchase costs from end customers. A decline in market prices for our products between the date of the sales order and shipment of the product may impact the customer's ability to obtain letters of credit to cover the full sales amount. A decline in selling prices for our products coupled with customers failing to meet their contractual obligations may also result in a net realizable value adjustment to the average cost of inventory to reflect the lower of cost or fair market value. Additionally, changing prices could potentially impact the volume of raw materials available to us, the volume of ore and processed metal sold by us and inventory levels. The cyclical nature of our businesses tends to reflect and be amplified by changes in general economic conditions, both domestically and internationally.

Risk Factors Related to Our General Operations

The current geographic concentration where we provide services creates an exposure to local economies, regional downturns or severe weather or catastrophic occurrences that may materially adversely affect our financial condition and results of operations.

We currently conduct our commodities trading business in Shanghai and Shenzhen. We currently hold all our commodities inventory at the warehouses we rent in Shanghai and Shenzhen. While we have insurance to cover certain losses on those commodities, events such as theft, fire, flood, or hail could adversely impact our business.

In addition, our business is currently more susceptible to regional conditions than the operations of more geographically diversified competitors, and we are vulnerable to economic downturns in those regions. Any unforeseen events or circumstances that negatively affect these areas could materially adversely affect our revenues and profitability. These factors include, among other things, changes in demographics and population. In addition, severe weather conditions, acts of God and other catastrophic occurrences in the area in which we operate or from which we obtain inventory may materially adversely affect our financial condition and results of operations. Such conditions may result in physical damage to our properties and loss of inventory. Any of these factors may disrupt our business and materially adversely affect our financial condition and results of operations. Furthermore, there can be no assurance that we will be able to successfully replicate our business model and achieve levels of success as we enter new geographic markets.

Our failure to maintain a reputation of integrity and to otherwise maintain and enhance our brand could adversely affect our business and results of operations.

Our business model is based on our ability to provide customers with commodities trading that we believe will save them time and money. If we fail to build and maintain a positive reputation, or if an event occurs that damages this reputation, it could adversely affect consumer demand and have a material adverse effect on our business and results of operations. Even the perception of a decrease in the quality of our brand could negatively impact results.

Complaints or negative publicity about our business practices, marketing and advertising campaigns, compliance with applicable laws and regulations, the integrity of the data that we provide to users, and other aspects of our business, especially on industry-specific blogs and social media websites, and irrespective of their validity, could diminish consumer confidence in our services and adversely affect our brand. The growing use of social media increases the speed with which information and opinions can be shared and, thus, the speed with which reputation can be affected. If we fail to correct or mitigate misinformation or negative information, including information spread through social media or traditional media channels, about us, the vehicles we offer, our customer experience, or any aspect of our brand, it could have a material adverse effect on our business and results of operations.

Failure to adequately protect our intellectual property, technology and confidential information could harm our business and operating results.

Our business depends on our intellectual property, technology and confidential information, the protection of which is crucial to the success of our business. We attempt to protect our intellectual property, technology and confidential information by requiring certain of our employees and consultants to enter into confidentiality agreements and certain third parties to enter into nondisclosure agreements. In addition, these agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property, or technology. Despite our efforts to protect our intellectual property, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider proprietary. Changes in the law or adverse court rulings may also negatively affect our ability to prevent others from using our technology.

We may be subject to claims asserting that our employees, consultants or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employees or claims asserting ownership of what we regard as our own intellectual property.

Although we try to ensure that our employees, consultants and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these individuals or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we intend to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. The assignment of intellectual property may not be self-executing or the assignment agreement may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property.

We may in the future be subject to intellectual property disputes, which are costly to defend and could harm our business and operating results.

We may, from time to time, face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties. We may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Patent and other intellectual property litigation may be protracted and expensive, the results are difficult to predict and may require us to stop offering some features, purchase licenses or modify our products and features while we develop non-infringing substitutes or may result in significant settlement costs.

Even if these matters do not result in litigation, are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, our operating results and our reputation.

We may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, they could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to various litigation matters from time to time, which could have a material adverse effect on our business, results of operations and financial condition. Claims arising out of actual or alleged violations of law could be asserted against us by individuals, either individually or through class actions, by governmental entities in civil or criminal investigations, and proceedings or by other entities. These claims could be asserted under a variety of laws, including but not limited to consumer finance laws, consumer protection laws, intellectual property laws, privacy laws, labor and employment laws, securities laws and employee benefit laws. These actions could expose us to adverse publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, or FCPA, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. We have implemented these policies through our Code of Conduct. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in China. While we make every effort to comply with FCPA and our company Code of Conduct, we can make no assurance that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that will likely have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Ownership of our Common Stock

We may not meet certain of Nasdaq Capital Market's continued listing requirements and other Nasdaq rules. If we are unable to regain compliance, we are likely to be delisted. Delisting could negatively affect the price of our common stock, which could make it more difficult for us to sell securities in a future financing or for you to sell our common stock.

We are required to meet the continued listing requirements of the Nasdaq Capital Market, or Nasdaq, and other Nasdaq rules, including those regarding director independence and independent committee requirements, minimum stockholders' equity, minimum share price and certain other corporate governance requirements. If we do not meet these continued listing requirements, our common stock could be delisted.

On May 15, 2023, we received a notification letter from Nasdaq, referred to herein as the Nasdaq Staff Deficiency Letter, indicating that our minimum bid price per share for our common shares has been below \$1.00 for a period of 30 consecutive business days and we did not satisfy the minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2). The Nasdaq Staff Deficiency Letter had no immediate effect on the listing of the Company's common stock. According to the Nasdaq Listing Rules, the Company has a compliance period of 180 calendar days from the date of the Nasdaq Staff Deficiency Letter, or until November 13, 2023, to regain compliance with Nasdaq's minimum bid price requirement. If, at any time during this 180-day period, the closing bid price of the Company's common shares remains at or above \$1 for a minimum of 10 consecutive business days, Nasdaq will provide written confirmation of compliance. However, if the Company fails to regain compliance within the 180-day period, it may be granted an additional 180 calendar days, subject to meeting the continued listing requirement for the market value of publicly held shares and all other initial listing standards for Nasdaq, except for Nasdaq Listing Rule 5550(a)(2). In such a case, the Company must also provide a written notice of its intention to cure this deficiency during the second compliance period.

To regain compliance with the minimum bid price requirement of \$1.00 per share of common stock for continued listing on the Nasdaq market, the Company has implemented a reverse stock split with a Nasdaq market effective date as of October 30, 2023. As a result of the reverse stock split, every fifty (50) shares of the Company's pre-split common stock have been combined into one (1) share of the Company's post-split common stock, without any change in par value per share. There is no fractional share issued in connection with the reverse stock split and all such fractional shares have been rounded up to the nearest whole number of shares of common stock.

Delisting from the Nasdaq Capital Market would cause us to pursue eligibility for trading of these securities on other markets or exchanges, or on the "pink sheets." In such case, our stockholders' ability to trade, or obtain quotations of the market value of our common stock would be severely limited because of lower trading volumes and transaction delays. These factors could contribute to lower prices and larger spreads in the bid and ask prices of these securities. There can be no assurance that our securities, if delisted from the Nasdaq Capital Market in the future, would be listed on a national securities exchange, a national quotation service, the over-the-counter markets or the pink sheets. Delisting from the Nasdaq Capital Market, or even the issuance of a notice of potential delisting, would also result in negative publicity, make it more difficult for us to raise additional capital, adversely affect the market liquidity of our securities, decrease securities analysts' coverage of us or diminish investor, supplier and employee confidence.

We do not expect to declare or pay dividends in the foreseeable future.

We do not expect to declare or pay dividends in the foreseeable future, as we anticipate that we will invest future earnings in the development and growth of our business. Therefore, holders of our Common Stock will not receive any return on their investment unless they sell their securities, and holders may be unable to sell their securities on favorable terms or at all.

Future issuances of our Common Stock or securities convertible into, or exercisable or exchangeable for, our common stock (“Securities”), or the expiration of lock-up agreements that restrict the issuance of new Common Stock or the trading of outstanding Common Stock, could cause the market price of our Common Stock to decline and would result in the dilution of your holdings.

Future issuances of our Securities, or the expiration of lock-up agreements that restrict the issuance of new Common Stock or the trading of outstanding Common Stock, could cause the market price of our Common Stock to decline. We cannot predict the effect, if any, of future issuances of our Securities, or the future expirations of lock-up agreements, on the price of our Common Stock. In all events, future issuances of our Common Stock would result in the dilution of your holdings. In addition, the perception that new issuances of our Securities could occur, or the perception that locked-up parties will sell their securities when the lock-ups expire, could adversely affect the market price of our Common Stock. In addition to any adverse effects that may arise upon the expiration of these lock-up agreements, the lock-up provisions in these agreements may be waived, at any time and without notice. If the restrictions under the lock-up agreements are waived, our Common Stock may become available for resale, subject to applicable law, including without notice, which could reduce the market price for our Common Stock.

Our common stock may be thinly traded and our stockholders may be unable to sell at or near ask prices or at all if they need to sell their shares to raise money or otherwise desire to liquidate their shares.

Our Common Stock may be “thinly-traded”, meaning that the number of persons interested in purchasing our Common Stock at or near bid prices at any given time may be relatively small or non-existent. This situation may be attributable to a number of factors, including the fact that we are a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and might be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. Broad or active public trading market for our Common Stock may not develop or be sustained.

The market price for our common stock may be volatile and subject to wide fluctuations due to factors such as:

- the perception of U.S. investors and regulators of U.S. listed Chinese companies;
- actual or anticipated fluctuations in our operating results;
- changes in financial estimates by securities research analysts;
- negative publicity, studies or reports;
- changes in the economic performance or market valuations of other microcredit companies;
- announcements by us or our competitors of acquisitions, strategic partnerships, joint ventures or capital commitments;
- addition or departure of key personnel;
- fluctuations of exchange rates between RMB and the U.S. dollar; and
- general economic or political conditions in China.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

Volatility in our common stock price may subject us to securities litigation.

The market for our common stock may have, when compared to seasoned issuers, significant price volatility and we expect that our share price may continue to be more volatile than that of a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may, in the future, be the target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention and resources.

Provisions in our by-laws and Delaware laws might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Provisions of our by-laws and Delaware laws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

- the inability of stockholders to act by written consent or to call special meetings;
- the ability of our board of directors to make, alter or repeal our by-laws; and
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder, unless such transactions are approved by our board of directors. The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

We have identified material weaknesses in our internal control over financial reporting, and we cannot provide assurances that these weaknesses will be effectively remediated or that additional material weaknesses will not occur in the future. If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and which may lead to a decline in our stock price.

Our management has identified material weaknesses in our internal control over financial reporting, which were not remediated as of the date of this report. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis. While we are implementing remediation procedures, there can be no assurance that we will be able to fully remediate our existing material weaknesses or that our internal control over financial reporting will not suffer in the future from other material weaknesses, thus making us unable to prevent or detect on a timely basis material misstatement in our periodic reports with the SEC. If we fail to remediate these material weaknesses or otherwise maintain effective internal control over financial reporting in the future, the existence of one or more internal control deficiencies could result in errors in our financial statements, and substantial costs and resources may be required to rectify internal control deficiencies. If we cannot produce reliable financial reports, we may have difficulty in filing timely periodic reports with the SEC, investors could lose confidence in our reported financial information, the market price of our stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be materially harmed. In addition, any failure to remediate the existing material weaknesses or a failure to maintain effective internal control over financial reporting could negatively impact our results of operations, cash flows and financial condition, subject us to potential litigation and regulatory inquiry and cause us to incur additional costs in future periods relating to the implementation of remedial measures.

Matters relating to or arising from the restatements, Audit Committee investigation and the associated material weaknesses identified in our internal control over financial reporting, including adverse publicity, have caused us to incur significant legal, accounting and other professional fees and other costs, have exposed us to greater risks associated with other civil litigation, regulatory proceedings and government enforcement actions, have diverted resources and attention that would otherwise be directed toward our operations and implementation of our business strategy and may impact our ability to attract and retain customers, employees and vendors, any of which could have a material adverse effect on our business, financial condition and results of operations.

General Risk Factors

Our business, results of operations and financial condition may be adversely affected by global public health epidemics, including the strain of coronavirus known as COVID-19.

Our business could be adversely affected by the effects of health pandemics or epidemics, including the ongoing COVID-19 pandemic, the evolution of which continues to be uncertain. We have taken temporary precautionary measures intended to help minimize the risk of the virus to our employees, our customers, which could negatively impact our business. As a result of COVID-19, we incurred increased costs for our operations, performed our operations remotely and experienced difficulty in recruiting personnel.

In addition, with the extended Chinese business shutdowns that resulted from the outbreak of COVID-19, we may experience delays or the inability to service our customers on a timely basis in our commodities trading business. The disruptions to our supply chain and business operations, or to our suppliers' or customers' supply chains and business operations, could include disruptions from the closure of our interruptions in the supply of commodities, personnel absences, and delivery and storage of commodities, any of which could have adverse ripple effects on our commodities trading business. If we need to close any of our facilities or a critical number of our employees become too ill to work, our ability to provide our products and services to our customers could be materially adversely affected in a rapid manner. Similarly, if our customers experience adverse business consequences due to COVID-19, or any other pandemic, demand for our products and services could also be materially adversely affected in a rapid manner. Global health concerns, such as COVID-19, could also result in social, economic, and labor instability in the localities in which we or our suppliers and customers operate within China.

While the potential economic impact brought by and the duration of COVID-19 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 in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common stock. While it is too early to tell whether COVID-19 will have a material effect on our business over time, we continue to monitor the situation as it unfolds. The extent to which COVID-19 affects our results will depend on many factors and future developments, including new information about COVID-19 and any new government regulations which may emerge to contain the virus, among others.

The elimination of monetary liability against our directors, officers and employees under our certificate of incorporation and the existence of indemnification of our directors, officers and employees under Delaware law may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.

Our certificate of incorporation contains provisions which eliminate the liability of our directors for monetary damages to us and our stockholders to the maximum extent permitted under the corporate laws of Delaware. We may also provide contractual indemnification obligations under agreements with our directors, officers and employees. These indemnification obligations could result in our incurring substantial expenditures to cover the cost of settlement or damage awards against directors, officers and employees, which we may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against directors, officers and employees for breach of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our shareholders against our directors, officers and employees even though such actions, if successful, might otherwise benefit the Company and our shareholders.

We expect that we will require additional debt and equity capital to pursue our business objectives and respond to business opportunities, challenges and/or unforeseen circumstances. If such capital is not available to us, or is not available on favorable terms, our business, operating results and financial condition may be harmed.

We expect that we will require additional capital to pursue our business objectives and respond to business opportunities, challenges and/or unforeseen circumstances, including to increase our marketing expenditures in order to improve our brand awareness, build our non-ferrous metal inventory, develop new customers, enhance our operating infrastructure and acquire complementary technologies. Accordingly, we may need to engage in equity, debt or other types of financings to secure additional funds. Additional funds may not be available when we need them on terms that are acceptable to us, or at all. In addition, any debt financing that we secure in the future could involve restrictive covenants which may make it more difficult for us to obtain additional capital and to pursue business opportunities.

Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of our Common Stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, operating results, financial condition and prospects could be adversely affected.

Increasing scrutiny and changing expectations from investors, lenders, customers, and other market participants with respect to our Environmental, Social and Governance (“ESG”) policies and activities may impose additional costs on us or expose us to additional risks.

Companies across all industries and around the globe are facing increasing scrutiny relating to their ESG policies, initiatives and activities by investors, lenders, customers, and other market participants. In the U.S., amongst other regulatory efforts, in March 2021, the SEC announced the creation of a Climate and ESG Task Force in the Division of Enforcement and in March 2022, the SEC proposed rules that would require public companies to disclose certain climate-related information in periodic filings with the SEC. Our disclosures on these matters or a failure to satisfy evolving stakeholder expectations for ESG practices and reporting may potentially harm our reputation and impact employee retention and access to capital. In addition, our failure, or perceived failure, to pursue or fulfill our goals, targets, and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could expose us to government enforcement actions and private litigation.

We expect regulatory requirements related to ESG matters to continue to expand globally and increase our costs of compliance. Our ability to achieve any goal or objective, including with respect to environmental and diversity initiatives and compliance with ESG reporting standards, is subject to numerous risks, many of which are outside of our control. Examples of such risks include the availability and cost of technologies and products that meet sustainability, evolving regulatory requirements affecting ESG standards or disclosures, our ability to recruit, develop, and retain diverse talent in our labor markets, and our ability to develop reporting processes and controls that comply with evolving standards for identifying, measuring and reporting ESG metrics. As ESG best-practices, reporting standards, and disclosure requirements continue to develop, we may incur increasing costs related to maintaining or achieving our ESG goals in addition to ESG monitoring and reporting. We risk damage to our brand and reputation, impacts to our ability to secure government contracts, or limited access to capital markets and loans if we fail to adapt to, or comply with, investor, lender, customer or other stakeholder expectations and standards and potential government regulation with respect to ESG matters, including in areas such as diversity and inclusion, environmental stewardship, support for local communities and corporate governance and transparency.

Our business could be negatively impacted by the inflationary pressures which may decrease our operating margins and increase working capital investments required to operate our business.

The U.S. economy has experienced rising inflation in 2022. A sustained increase in inflation may continue to increase our costs for labor, services, and materials. Further our customers face inflationary pressures and resulting impacts, such as the tight labor market and supply chain disruptions. The rate and scope of these various inflationary factors may increase our operating costs and capital expenditures materially, which may not be readily recoverable in the prices of our services and may have an adverse effect on our costs, operating margins, results of operations and financial condition. Additionally, Federal Reserve policies to combat inflationary pressures, including the significant increases in prevailing interest rates that occurred during 2022 as a result of the 425 aggregate basis point increase in the federal funds rate, and the associated macroeconomic impact on slowdown in economic growth, could negatively impact our business.

Our information systems or data, or those of our service providers or customers or users could be subject to cyber-attacks or other security incidents, which could result in data breaches, intellectual property theft, claims, litigation, regulatory investigations, significant liability, reputational damage and other adverse consequences.

We have continued to expand our information technology systems as our operations grow. While we maintain information technology measures designed to protect us against intellectual property theft, data breaches, sabotage and other external or internal cyber-attacks or misappropriation, our systems and those of our service providers are potentially vulnerable to malware, ransomware, viruses, denial-of-service attacks, phishing attacks, social engineering, computer hacking, unauthorized access, exploitation of bugs, defects and vulnerabilities, breakdowns, damage, interruptions, system malfunctions, power outages, terrorism, acts of vandalism, security breaches, security incidents, inadvertent or intentional actions by employees or other third parties, and other cyber-attacks. To the extent any security incident results in unauthorized access or damage to or acquisition, use, corruption, loss, destruction, alteration or dissemination of our data, it could disrupt our business, harm our reputation, compel us to comply with applicable data breach notification laws, subject us to time consuming, distracting and expensive litigation, regulatory investigation and oversight, mandatory corrective action, require us to verify the correctness of database contents, or otherwise subject us to liability under laws, regulations and contractual obligations, including those that protect the privacy and security of personal information. This could result in increased costs to us and result in significant legal and financial exposure and/or reputational harm.

We also rely on service providers, and similar incidents relating to their information technology systems could also have a material adverse effect on our business. Our service providers, including our workforce management software provider, may be subject to ransomware and other security incidents, and we cannot guarantee that our or our service providers' systems have not been breached or that they do not contain exploitable defects, bugs, or vulnerabilities that could result in a security incident, or other disruption to, our or our service providers' systems. Our ability to monitor our service providers' security measures is limited, and, in any event, malicious third parties may be able to circumvent those security measures.

Item 1B. Unresolved Staff Comments.

None.

Item 2 1C. Cybersecurity

Information technology systems, including our website, email system, and various other online processes and functions, are critical to our business and operations. The Company faces risks associated with cybersecurity, including operational interruptions, financial losses, personal information leakage and non-compliance risks. For additional details on risks from cybersecurity threats, please refer to “Item 1A. Risk Factors — We are subject to a variety of laws and regulations regarding cybersecurity and data protection, and any failure to comply with applicable laws and regulations, including improper use or appropriation of personal information provided directly or indirectly by our customers or end users, could have a material adverse effect on our business, financial condition and results of operations.”

We employed email correspondence anti-leakage software and firewall system to our website. We have not identified any cybersecurity incidents or threats that have materially affected us or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition. Nevertheless, the changes in our business and operations may impact our cybersecurity program in the future.

We will leverage internal and external resources to support our cyber risk management efforts, such as vulnerability assessments, and employee cybersecurity awareness training. We will engage the services of external information security service providers to help support our information technology environment, assist with security monitoring, and help us draft and implement information security policies when necessary and/or appropriate. Further, we will utilize third parties to help us monitor issues that are internally discovered or externally reported that may materially affect our website and email systems, and we have processes to assess the potential cybersecurity impact or risk of these issues.

The Audit Committee of our Board of Directors (the “Audit Committee”) oversees risks pertaining to cybersecurity. The Chief Operating Officer regularly reports to the Audit Committee, and directly to the Board of Directors, as appropriate, on the state of our cybersecurity program and provides updates on cybersecurity matters.

Item 2. Description of Property.

Our principal executive offices are located at 139, Xinzhou 11th Street, Futian District, Shenzhen, Guangdong, PRC 518000, where we leased approximately 476.04 square feet of office space pursuant to a lease agreement, which lasts from December 1, 2022 to November 30, 2024 with an annual rent in the amount of RMB1.37 million (approximately US0.2 million).

We do not own any real property or have any land use rights.

Item 3.3. Legal Proceedings.

The Company is involved in a legal action as follows:

2020 Court Matter with Harrison Fund

On April 6, 2020, the Company filed a lawsuit against Harrison Fund in the United States District Court for the Northern District of California (Case No. 3:20-cv-2307). The Company invested \$1,000,000 in Harrison Fund around May 2019. However, Harrison Fund had been reluctant to disclose related investment information to the Company and it was discovered that certain information presented in Harrison Fund’s brochure appeared to be problematic. The Company demanded a return of its investment from Harrison Fund. When the Company failed to obtain a response from Harrison Fund, it filed the complaint against Harrison Fund seeking to recover the \$1,000,000 investment.

Due to the uncertainty arising from this pending legal proceeding, a full impairment has been applied against the Company’s investment in financial products. **None.**

Item 4.4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5.5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is currently listed on the NASDAQ Capital Market under the symbol "GLG." "BYU."

Recent Sales of Unregistered Securities

During the period covered by this annual report, there were no sales by us of unregistered securities that were not previously reported by us in a Quarterly Report on Form 10-Q or Current Report on Form 8-K.

Holders

We had 275 298 holders of record of our common stock as of the date of this annual report.

Dividends

We did not declare or pay any dividend in 2022 2023 and do not plan to do so in the foreseeable future. Although we intend to retain our earnings, if any, to finance the growth of our business, our board of directors will have the discretion to declare and pay dividends in the future, subject to applicable PRC regulations and restrictions as described below. Future payment of dividends will depend upon our earnings, capital requirements, and other factors, which our board of directors may deem relevant.

In addition, due to various restrictions under PRC laws on the distribution of dividends by WFOE, we may not be able to pay dividends to our stockholders. The Foreign Investment Law of the PRC, as amended, its Implementing Rules and the Company Law of the PRC, as amended, contain the principal regulations governing dividend distributions of wholly foreign-owned enterprises. Under these regulations, wholly foreign-owned enterprises may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Additionally, such companies are required to set aside a certain amount of their accumulated profits each year, if any, for certain reserve funds. Our accumulated reserve funds now reach and remain above 50% of the registered capital amount. These reserves are not distributable as cash dividends except in the event of liquidation and cannot be used for working capital purposes. Furthermore, if our subsidiaries and affiliates in China incur debt on their own in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments. If we or our subsidiaries and affiliates are unable to receive all of the revenues from our operations through the current contractual arrangements, we may be unable to pay dividends on our common stock.

Item 6.6. [Reserved].

Item 7.7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

As of December 31, 2022 December 31, 2023, the Company had two business lines, which are the commodities trading business and supply chain management services.

Commodities Trading Business

The commodity trading business primarily involves purchasing non-ferrous metal products, such as aluminum ingots, copper, silver, and gold, from metal and mineral suppliers and then selling to customers. In connection with the Company's commodity sales, in order to help customers to obtain sufficient funds to purchase various metal products and also help metal and mineral suppliers to sell their metal products, the Company launched its supply chain management service in December 2019. The Company primarily generates revenues from bulk non-ferrous commodity products, and from providing related supply chain management services in the PRC.

The Company sources bulk commodity products from non-ferrous metal and mines or its designated distributors and then sells to manufacturers who need these metals in large quantities. The Company works with suppliers in the sourcing of commodities. Major suppliers include various metal and mineral suppliers such as Kunsteel Group, Baosteel Group, Aluminum Corporate of China Limited, Yunnan Benyuan, Yunnan Tin, and Shanghai Copper. The Company's target customers include large infrastructure companies such as China National Electricity, Datang Power, China Aluminum Foshan International Trade, Tooke Investment (China), CSSC International Trade Co., Ltd., Shenye Group, and Keliyuan.

Supply Chain Management Services

We offer a distribution service to bulk suppliers of precious metals by acting as a sales intermediary, procuring small to medium-sized buyers through our own professional sales team and channels and distributing to them the bulk precious metals of the suppliers. Upon the execution of a purchase order from our sourced buyers, we charge the suppliers with a commission fee ranging from 1% to 2% of the distribution order, depending on the size of the order. For the year ended December 31, 2023, the Company earned commodity distribution commission fees of \$67,981 from facilitating such sales transactions with nine third party customers. For the year ended December 31, 2022, the Company earned commodity distribution commission fees of \$1,391,903 from facilitating such sales transactions with twenty third party customers. For the year ended December 31, 2021, the Company earned commodity distribution commission fees of \$3,180,227 from facilitating such sales transactions with thirty-four third party customers.

Competition

The Company mainly competes against other large domestic commodity metal product trading service providers such as Xiamen International Trade and Yijian Shares. Currently, the principal competitive factors in the non-ferrous metal commodities trading business are price, product availability, quantity, service, and financing terms for purchases and sales of commodities.

Applicable Government Regulations

Shenzhen Baiyu Jucheng has obtained all material approvals, permits, licenses and certificates required for our metal product trading operations, including registrations from the local business and administrative department authorizing the purchase of raw materials.

Recent developments

(1) Settlement of Convertible Promissory Notes

The Company settled the convertible promissory notes issued on March 13, 2023 in favor of \$125,000 Streeterville Capital, LLC, of \$150,000 on December 30, 2022 February 1, 2024, \$125,000 and \$150,000 on January 10, 2023, \$125,000 on January 18, 2023, \$200,000 on January 18, 2023, \$250,000 on February 2, 2023, \$200,000 on February 3, 2023, \$175,000 on February 8, 2023, \$250,000 on February 15, 2023 and \$250,000 on March 2, 2023 February 15, 2024, respectively, and issued 148,399, 147,824, 147,475, 235,960, 292,987, 234,389, 205,090, 292,987 160,174 and 279,567 152,650 shares of the Company's common stock to Streeterville Capital, LLC on January 6, 2023, January 12, 2023, January 18, 2023, January 19, 2023, February 3, 2023, February 6, 2023, February 8, 2023, February 15, 2023, February 1, 2024 and March 2, 2023 February 15, 2024, respectively.

(2) January Private Placement

On January 9, 2023, the Company entered into a certain securities purchase agreement with Ms. Huiwen Hu, an affiliate of the Company, and certain other purchasers who are non-U.S. Persons, pursuant to which the Company agreed to sell an aggregate of 35,000,000 shares of its common stock, at a purchase price of \$1.21 per share ("January 2023 PIPE"). The gross proceeds to the Company from the January 2023 PIPE was \$42.35 million. Since Ms. Huiwen Hu is an affiliate of the Company, the January 2023 PIPE has been approved by the Audit Committee as well as the Board of Directors of the Company.

(3) Settlement of Restated Agreement

The Company issued to White Lion Capital, LLC 489,306 shares of the Company's common stock on January 20, 2023 at a purchase price of 80% of the lowest daily volume-weighted average price of the Company's common stock during the valuation period as defined in the Restated Agreement (the "Purchase Price") and issued 200,000 shares of the Company's common stock on February 1, 2023 at the Purchase Price, pursuant to the Restated Agreement dated December 12, 2022. The Company received relevant proceeds of \$400,182.47 and \$158,890.50, respectively, in 2023.

Key Factors Affecting Our Results of Operation

The commodities trading industry is also experiencing decreasing demand as a result of China's overall economic slowdown. We expect competition in commodities trading business to persist and intensify.

We have a limited operating history having just started our commodities trading business in late December 2019. We believe our future success depends on our ability to significantly increase sales as well as maintain profitability from our operations. Our limited operating history makes it difficult to evaluate our business and future prospects. You should consider our future prospects in light of the risks and challenges encountered by a company with a limited operating history in an emerging and rapidly evolving industry. These risks and challenges include, among other things,

- our ability to continue our growth as well as maintain profitability;
- preservation of our competitive position in commodities trading industry in China;
- our ability to implement our strategies and make timely and effective responses to competition and changes in customer preferences; and
- recruitment, training and retaining of qualified managerial and other personnel.

Our business requires a significant amount of capital in large part due to needing to purchase a bulk volume of commodities, and expand our business in existing markets and to additional markets where we currently do not have operations.

Results of Operations

Year Ended **December 31, 2022** December 31, 2023 as Compared to Year Ended **December 31, 2021** December 31, 2022

	For the Years Ended				For the Years Ended			
	December 31,		Change		December 31,		Change	
	2022	2021	Amount	%	2023	2022	Amount	%
Revenues								
Sales of commodity products – third parties	\$ 155,443,398	\$ 173,904,016	\$ (18,460,618)	(11)%	\$ 134,558,086	\$ 155,443,398	\$ (20,885,312)	(13)%
Sales of commodity products – related parties	-	24,049,999	(24,049,999)	(100)%				
Supply chain management services – third parties	1,391,903	3,180,227	(1,788,324)	(56)%	67,981	1,391,903	(1,323,922)	(95)%
Total revenue	156,835,301	201,134,242	(44,298,941)	(22)%	134,626,067	156,835,301	(22,209,234)	(14)%
Cost of revenue								
Commodity product sales – third parties	(155,789,519)	(173,996,000)	18,206,481	(10)%	(134,756,423)	(155,789,519)	21,033,096	(14)%
Commodity product sales – related parties	-	(24,045,511)	24,045,511	(100)%				
Supply chain management services – third parties	(7,525)	(84,118)	76,593	(91)%	(59,118)	(7,525)	(51,593)	686%
Total cost of revenue	(155,797,044)	(198,125,629)	42,328,585	(21)%	(134,815,541)	(155,797,044)	20,981,503	(13)%
Gross profit	1,038,257	3,008,613	(1,970,356)	(65)%				
Gross profit (loss)					(189,474)	1,038,257	(1,227,731)	(118)%
Operating expenses								
Selling, general, and administrative expenses	(8,844,739)	(8,137,481)	(707,258)	9%	(16,591,688)	(8,844,739)	(7,746,949)	88%
Share-based payment for service	(44,000)	(1,836,442)	1,792,442	(98)%	-	(44,000)	44,000	(100)%
Total operating cost and expenses	(8,888,739)	(9,973,923)	1,085,184	(11)%				
Total operating cost					(16,591,688)	(8,888,739)	(7,702,949)	87%
Other income (expenses), net								
Interest income	17,035,200	10,079,776	6,955,424	69%	20,103,265	17,035,200	3,068,065	18%
Interest expenses	(523,980)	(313,965)	(210,015)	67%	(605,430)	(523,980)	(81,450)	16%
Amortization of beneficial conversion feature relating to issuance of convertible promissory notes	(1,212,617)	(1,463,883)	251,266	(17)%	(982,961)	(1,212,617)	229,656	(19)%
Other income (expense), net	59,088	(285,774)	344,862	(121)%	15,019	59,088	(44,069)	(75)%
Total other income, net	15,357,691	8,016,154	7,341,537	92%	18,529,893	15,357,691	3,172,202	21%
Loss from continuing operations before income taxes	7,507,209	1,050,844	6,456,365	614%				
Net income before income taxes					1,748,731	7,507,209	(5,758,478)	(77)%
Income tax expenses	(3,253,672)	(1,991,201)	(1,262,471)	63%	(4,015,056)	(3,253,672)	(761,384)	23%
Net income (loss)	\$ 4,253,537	\$ (940,357)	\$ 5,193,894	552%	\$ (2,266,325)	\$ 4,253,537	\$ (6,519,862)	(153)%

Revenue

For the years ended **December 31, 2022** **December 31, 2023** and **2021, 2022** we generated revenue from the following two sources, including (1) revenue from sales of commodity products and (2) revenue from supply chain management services. Total revenue decreased by **\$44,298,941** **\$22,209,234** or **22%**, **14%** from **\$201,134,242** for the year ended **December 31, 2021** to **\$156,835,301** for the year ended **December 31, 2022**, to **\$134,626,067** for the year ended **December 31, 2023** among which revenue from commodity trading, supply chain management services for **99.1%** **99.9%** and **0.9%** **0.1%**, respectively, of our total revenue for the year ended **December 31, 2022** **December 31, 2023**. The decrease of revenue from sales of commodity products is mainly due to **COVID-19**, as well as the **depreciation** decrease in the average unit sales price of RMB against USD zinc ingots from \$3.58 per kilogram for the year ended **December 31, 2022** to \$3.07 per kilogram for the year ended **December 31, 2023**, and the annual consumption of zinc plating in **2022**. **China** for the year ended **December 31, 2023** was about 4,930,000 tons, down from 4,980,000 tons for the year ended **December 31, 2022**.

(1) Revenue from sales of commodity products

For the year ended **December 31, 2022**, our operations in Shanghai were temporarily affected due **December 31, 2023** the Company sold non-ferrous metals to twenty-three third party customers at fixed prices, and earned revenues of **\$134,558,086** when the sporadic outbreak of **COVID-19**, which resulted in a decrease in revenue. But the extent product ownership was transferred to which **COVID-19** affects our future results will depend on many factors and future developments, including new information about **COVID-19** and any new government regulations which may emerge to contain the virus, among others, its customers.

(1) Revenue from sales of commodity products

For the year ended **December 31, 2022**, the Company sold non-ferrous metals to twenty-nine third party customers at fixed prices, and earned revenues of **\$155,443,398** when the product ownership was transferred to its customers.

For the year ended **December 31, 2021**, the Company sold non-ferrous metals to twenty-four third party customers and three related party customers at fixed prices, and earned revenues when the product ownership was transferred to its customers. The Company earned revenues of **\$173,904,016** and **\$24,049,999**, respectively, (2) Revenue from sales of commodity products to twenty-four third party customers and three related party customers. supply chain management services

(2) Revenue from supply chain management services

In connection with the Company's commodity sales, in order to help customers to obtain sufficient funds to purchase various metal products and also help metal and mineral suppliers sell their metal products, the Company launched its supply chain management service business in **December 2019**, which primarily consisted of commodity distribution services.

Commodity distribution service fees

The Company utilizes its strong sales and marketing expertise and customer network to introduce customers to large metal and mineral suppliers, and facilitate the metal product sales between the suppliers and the customers. The Company merely acts as an agent in this type of transaction and earns a commission fee based on the percentage of volume of metal products that customers purchase.

Commodity distribution service fees are recognized as revenue when the Company successfully facilitates the sales transactions between the suppliers and the customers. For the year ended **December 31, 2022** **December 31, 2023**, the Company earned commodity distribution commission fees of **\$1,391,903** **\$67,981** from third party vendors compared with **\$3,180,227** **\$1,391,903** for the year ended **December 31, 2021** **December 31, 2022**. The decrease was primarily due to a contraction in market demand which has been reflected across the industry. It's important to note that while the revenue from these commissions has seen a reduction, this part of our business contributes a minor share to our overall financial portfolio and is subject to normal market fluctuations.

Cost of revenue

Our cost of revenue primarily includes cost of revenue associated with commodity product sales and cost of revenue associated with management services of supply chain. Total cost of revenue decreased by **\$42,328,585** **\$20,981,503** or **21%** **13%** from **\$198,125,629** for the year ended **December 31, 2021** to **\$155,797,044** for the year ended **December 31, 2022** to **\$134,815,541** for the year ended **December 31, 2023**, primarily due to an decrease of **\$42,251,992** **\$21,033,096** in cost of revenue associated with commodity product sales. The cost of revenue increased is in accordance to the **increase** **decrease** in sales.

Cost of revenue associated with commodity trading

Cost of revenue primarily consists of purchase costs of non-ferrous metal products.

For the year ended **December 31, 2023**, the Company purchased non-ferrous metal products of **\$134,756,423** from twenty-three third party vendors.

For the year ended **December 31, 2022**, the Company purchased non-ferrous metal products of **\$155,789,519** from twenty-nine third party vendors.

For the year ended **December 31, 2021**, the Company purchased non-ferrous metal products of **\$173,996,000** from twenty-six third party vendors and **\$24,045,511** from eight related party vendors.

Selling, general, and administrative expenses

Selling, general and administrative expenses increased from \$8,137,481 for the year ended December 31, 2021 to \$8,844,739 for the year ended December 31, 2022 to \$16,591,688 for the year ended December 31, 2023, representing an increase of \$707,258, \$7,746,949, or 9% 88%. Selling, general and administrative expenses primarily consisted of salary and employee benefits, office rental expense, amortizations of intangible assets and convertible promissory notes, professional service fees and finance offering related fees. The increase was mainly attributable to (1) amortization of intangible assets of \$7,967,272 for the year ended December 31, 2023 as compared to \$4,630,169 for the year ended December 31, 2022 as compared and (2) In June 2023, the Company issued under its 2023 Stock Incentive Plan a total of 220,000 shares of common stock to \$3,927,961 employees, and recorded \$5,688,000 in stock-based compensation expenses for the year ended December 31, 2021 and (2) amortization of convertible promissory notes of \$1,212,617 for the year ended December 31, 2022 as compared to \$489,000 for the year ended December 31, 2021 December 31, 2023.

Share-based payment for service

On December 16, 2022, the Company issued 300,000 shares of the Company's common stock as compensation to a settlement and mutual release agreement with White Lion Capital, LLC, a Nevada limited liability company, and recognized \$324,000 share-based payment for service to profit. and charged back \$280,000 share-based payment for service to profit to a PR service provider.

On March 4, 2021, the Company issued 750,000 fully-vested warrants with an exercise price of \$0.01, with a five-year life, to an agent who was engaged to complete the warrant waiver and exercise agreements. The Company applied Black-Scholes model and determined the fair value of the warrants to be \$1,695,042. Significant estimates and assumptions used included stock price on March 4, 2021 of \$2.27 per share, risk-free interest rate of one year of 0.08%, life of 5 years, and volatility of 71.57% for the year ended December 31, 2021.

On July 16, 2021, the Company issued 140,000 shares of the Company's common stock as compensation to a PR service provider for increasing the Company's visibility in the financial news community, and recognized \$141,400 share-based payment for service to profit.

Interest income

Interest income was primarily generated from loans made to third parties and related parties. For the year ended December 31, 2022 December 31, 2023, interest income was \$17,035,200 \$20,103,265 representing an increase of \$6,955,424, \$3,068,065, or 69% 18% from \$10,079,776 \$17,035,200 for the year ended December 31, 2021 December 31, 2022. The increase was due to the growth of loans made to third party vendors for the year ended December 31, 2022 December 31, 2023. The balance of loan receivables was \$240.43 million as of December 2023 which was \$97.26 million higher than that at December 31, 2022.

Amortization of beneficial conversion feature and relative fair value of warrants relating to the issuance of convertible promissory notes

For the year ended December 31, 2023, the item represented the amortization of beneficial conversion feature of \$982,961 of the three convertible promissory notes issued on May 6, 2022 and March 13, 2023.

For the year ended December 31, 2022, the item represented the amortization of beneficial conversion feature of \$1,212,617 of the three convertible promissory notes issued on March 4, 2021, October 4, 2021 and May 6, 2022.

For the year ended December 31, 2021, the item represented the amortization of beneficial conversion feature of \$1,463,883 of the three convertible promissory notes issued on January 6, 2021, March 4, 2021 and October 4, 2021.

Cash Flows and Capital Resources

We have financed our operations primarily through shareholder contributions, cash flow from operations, borrowings from third parties and related parties, and equity financing through private placement and public offerings of our securities.

As reflected in the accompanying audited consolidated financial statements, for the year ended December 31, 2022 December 31, 2023, the Company reported cash inflows of \$4,335,359 \$9,547,516 from operating activities. As of December 31, 2022 December 31, 2023, the Company positive working capital of about \$87 million. \$220,579,894.

During the year ended December 31, 2022 December 31, 2023, the Company entered into additional private placement agreements with certain private investors and issued 13,000,000 700,000 shares of common stock for \$45,500,000, 11,420,000 \$42,350,000, 560,000 shares of common stock for \$11,420,000, \$9,800,000, and 50,000,000 15,000,000 shares of common stock for \$57,500,000, \$31,350,000, respectively, and sold unsecured senior convertible promissory notes in the aggregate principal amount of \$3,000,000. In June 2023, the Company issued under its 2023 Stock Incentive Plan a total of 220,000 shares of common stock to employees for \$5,688,000.

The total gross proceeds from these transactions were \$117.42 million \$92.82 million. The Company expects to use the proceeds from the equity financing as working capital to expand its commodity trading business.

Based on the foregoing capital market activities, the management believes that the Company will continue as a going concern in the following 12 months.

Statement of Cash Flows

The following table sets forth a summary of our cash flows. For the years ended **December 31, 2022**, **December 31, 2023** and **2021**, 2022, respectively:

	For the Years Ended December 31,	
	2023	2022
Net Cash Provided by Operating Activities	\$ 9,547,516	\$ 4,335,359
Net Cash Used in Investing Activities	(100,086,699)	(125,537,746)
Net Cash Provided by Financing Activities	92,816,751	117,390,265
Effect of exchange rate changes on cash and cash equivalents	(1,654,267)	394,111
Net (Decrease)/Increase in cash and cash equivalents	623,301	(3,418,011)
Cash at beginning of period	893,057	4,311,068
Cash from continuing operations	\$ 1,516,358	\$ 893,057

	For the Years Ended December 31,	
	2022	2021
Net Cash Provided by Operating Activities	\$ 4,335,359	\$ 8,034,010
Net Cash Used in Investing Activities	(125,537,746)	(71,520,955)
Net Cash Provided by Financing Activities	117,390,265	64,118,618
Effect of exchange rate changes on cash and cash equivalents	394,111	979,382
Net increase in cash and cash equivalents	(3,418,011)	1,611,055
Cash at beginning of period	4,311,068	2,700,013
Cash from continuing operations	\$ 893,057	\$ 4,311,068

Net Cash Provided by Operating Activities

During the year ended **December 31, 2022** December 31, 2023, we had a cash inflow from operating activities of \$4,335,359, a decrease \$9,547,516, an increase of \$3,698,651 \$5,212,157 from a cash inflow of \$8,034,010 \$4,335,359 for the year ended **December 31, 2021** December 31, 2022. We incurred a net income loss for the year ended **December 31, 2022** December 31, 2023 of \$4,253,537, an increase \$2,266,325, a decrease of \$5,193,894 \$6,519,862 from the year ended **December 31, 2021** December 31, 2022, during which we recorded a net loss of \$940,357. \$4,253,537.

In addition to the change in profitability, the **decrease** **increase** in net cash provided by operating activities was the result of several factors, including: (1) non cash effects adjustments, including amortization of intangible assets of \$4,630,169, \$7,967,272 due to the larger cost of intangible assets of the subsidiary acquired in October 2022, amortization of beneficial conversion feature of convertible promissory notes of \$1,212,617, \$1,059,198, amortization of discount on convertible promissory notes of \$434,333, \$350,000, and interest expenses for convertible promissory notes of \$465,201; \$517,498; (2) a **decrease** **an increase** of \$4,497,189 \$2,673,934 of advances from customers due to a **purchase payment in advance to store goods recent competitive market**; account into revenue; (3) a **decrease** **an increase** of \$3,162,561 of \$2,669,689 due to accounts payable; and Prepayments to suppliers increased; (4) a **decrease** **an increase** of \$3,507,517 \$1,971,249 of other current assets due to the interest receivables increased and (5) an increase of \$1,295,505 of other current liabilities.

Net Cash Used in Investing Activities

Net cash used in investing activities for the year ended **December 31, 2022** December 31, 2023 was \$125,537,746 \$100,086,699 as compared to net cash used in investing activities of \$71,520,955 \$125,537,746 for the year ended **December 31, 2021** December 31, 2022.

The cash used in investing activities for the year ended **December 31, 2022** December 31, 2023 was mainly for the loans disbursed to third parties of \$109,106,926, \$136,181,479, collected loans from third parties of \$70,150,111 and collected loans from related parties of \$10,448,662. As of December 31, 2022, the Company paid for Tongdow Internet Technology acquisition of \$96,638,468. \$36,028,836.

Net Cash Provided by Financing Activities

During the year ended **December 31, 2022** December 31, 2023, the cash provided by financing activities was mainly attributable to cash raised from certain private placement, specifically, the Company entered into certain private placement agreements with certain private investors and issued 13,000,000 700,000 shares of common stock for \$45,500,000, 11,420,000 \$42,350,000, 560,000 shares of common stock for \$11,420,000, \$9,800,000, and 50,000,000 15,000,000 shares of common stock for \$57,500,000, \$31,350,000, respectively, and sold unsecured senior convertible promissory notes in the aggregate principal amount of \$3,000,000. In June 2023, the Company issued under its 2023 Stock Incentive Plan a total of 220,000 shares of common stock to employees for \$5,688,000.

Contractual Obligations

As of **December 31, 2022** December 31, 2023, the Company had one lease arrangement with an unrelated third party with a monthly rental fee of approximately \$8,202. party. The lease term was within 23 months, which will be due in November 2024. As of the date of this report, the Company cannot reasonably assess whether it will renew the lease term. The lease commitment was as following table:

	Total	Less than		
		1 year	1-2 years	Thereafter
Contractual obligations:				
Operating lease (1)	\$ 188,650	\$ 98,426	\$ 90,224	\$ -
Total	\$ 188,650	\$ 98,426	\$ 90,224	\$ -

	Payment due by December 31			
	Total	2024	2025	2026
Operating lease commitments for property management expenses under lease agreement	11,714	\$ 11,714	-	-

We do not have any off-balance sheet arrangements as of **December 31, 2022** December 31, 2023.

Critical Accounting Policies

Please refer to Note 2 of the Consolidated Financial Statements included in this Form 10-K for details of our critical accounting policies.

Item 7A. 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. 8. Financial Statements and Supplementary Data.

Our consolidated financial statements and notes thereto and the report of Enrome LLP, our independent registered public accounting firm for the fiscal year ended December 31, 2023, and the report of Audit Alliance LLP, our independent registered public accounting firm for the fiscal years year ended December 31, 2022 and 2021, respectively, are set forth on pages F-1 through F-36 F-38 of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were not effective as of **December 31, 2022** **December 31, 2023** to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission ("SEC") rules and forms, and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Inherent Limitations over Internal Controls

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. The Company's internal control over financial reporting includes those policies and procedures that:

- i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including the Company's principal executive officer and principal financial officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and our Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act as of **December 31, 2022** **December 31, 2023**. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) in Internal Control-Integrated Framework. Our Management believes that, as of **December 31, 2022** **December 31, 2023**, our internal control over financial reporting was not effective based on those criteria.

A “material weakness” is defined under the SEC rules as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis by our internal controls. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness; yet important enough to merit attention by those responsible for oversight of the Company’s financial reporting.

As a result of its review, management concluded that we had material weaknesses in our internal control over financial reporting process consisting of the following:

Certain personnel primarily responsible for the preparation of our financial statements require additional requisite levels of knowledge, experience and training in the application of U.S. GAAP commensurate with our financial reporting requirements. The management thought that in light of the inexperience of our accounting staff with respect to the requirements of U.S. GAAP-based reporting and SEC rules and regulations, we did not maintain effective controls and did not implement adequate and proper supervisory review to ensure that significant internal control deficiencies can be detected or prevented.

Management’s assessment of the control deficiency over accounting and finance personnel as of **December 31, 2022** **December 31, 2023** including:

- There is a lack of formal procedures with handling different types of revenue recognition.
- Company management conducted extensive transactions with related parties without adequate control by the Audit Committee and the Board of Directors.
- There is a lack of procedures and documentation for dealing with related parties.
- There was no accountant with adequate U.S. GAAP knowledge working in the Company’s Accounting Department. Part of the Company’s U.S. GAAP reporting function was outsourced to external consultant;
- The Company has insufficient written policies and procedures for accounting and financial reporting, which led to inadequate financial statement closing process.

Based on the above factors, management concluded that the control deficiency over accounting and finance personnel was the material weaknesses as of **December 31, 2022** **December 31, 2023**, as our accounting staff continues to lack sufficient U.S. GAAP experience and requires further substantial training.

Management Plan to Remediate Material Weaknesses

We expect to implement the following measures in 2023 2024 to continue to remediate the material weaknesses identified:

- To establish additional written policies and procedures for accounting and financial reporting to improve the Company's financial statement closing process.
- To appoint a monitor to oversee corporate governance and legal compliance matters. The monitor should be appointed for a period of at least 18 months, and should report directly to the Audit Committee.

- To retain one or two additional independent, bilingual Chinese and English-speaking directors. They should assist and augment the efforts of the Company's current independent directors.
- To establish an internal audit function to assist the Audit Committee with compliance requirements and improvement of overall internal control.
- To establish and maintain (i) a control process for the accounting implication assessment of all significant payments, particularly those that are non-routine; (ii) a control process for maintaining all supporting documentation regarding all non-routine transactions.
- To continue providing applicable training for our financial and accounting staff in the Company's Accounting Department to enhance their understanding of U.S. GAAP and internal control over financial reporting.
- To continue providing applicable training for the Company's accounting manager to improve the Company's internal review process.

Changes in Internal Control over Financial Reporting

The Company tried to make some changes (excluding corrective actions with regard to significant deficiencies or material weaknesses) in our internal control over financial reporting during the fourth quarter of 2022 2023 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

- The Company has appointed a new accounting manager to improve the Company's internal review process.
- The Company has established additional written policies and procedures for accounting and financial reporting to improve the Company's financial statement closing process.
- The Company has established and maintained (i) a control process for the accounting implication assessment of all significant payments, particularly those that are non-routine; (ii) a control process for maintaining all supporting documentation regarding all non-routine transactions.
- The Company provides applicable training for our financial and accounting staff in the Company's Accounting Department to enhance their understanding of U.S. GAAP and internal control over financial reporting.

Item 9B. 9B. Other Information.

None. During the quarter ended December 31, 2023, none of the Company's officers (as defined in Rule 16a-1(f) under the Exchange Act, as amended) or directors adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408(a) of Regulation S-K under the Exchange Act.

Item 9C. 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Executive Officers, Key Employees and Directors

The following table sets forth certain information concerning our executive officers, key employees, and directors:

Name	Age	Position
Renmei Ouyang	55	Chief Executive Officer, President and Chairwoman of the Board
Tianshi (Stanley) Yang Wenhao Cui	33	Chief Financial Officer, Director
Xiangjun Wang	50	Director
Heung Ming (Henry) Wong	53	Director
Donghong Xiong	55	Director

The biographies of our current directors and officers are set forth below.

Ms. Renmei Ouyang has served as the Chief Executive Officer (“CEO”) of the Company since January 9, 2020. From October 17, 2019 to January 9, 2020, Ms. Ouyang has served as the chief operating officer of the Company. Ms. Ouyang has served as the chairwoman of Tongdaw Group from 2011 to September 2019. She was the founder of Tongdaw E-Commerce in 2011. Ms. Ouyang was the founder of Zhonghui Daoming Group in 2006. She has served as the foreign exchange trading manager of CITIC Group, the deputy general manager in investment banking department of Beijing Securities, and the managing director of the international department of First Venture Securities. She holds a bachelor’s degree in statistics from Renmin University of China and a master’s degree in international finance from Peking University.

Mr. Tianshi (Stanley) Yang Wenhao Cui has served as the chief financial officer and finance director since June 11, 2021 of Tongdao E-commerce Group Limited (hereinafter referred to as “Tongdao Group”) from August 2018 until September 9, 2023. From March 2016 to July 2018, Mr. Yang Cui served as Supervisor of the head of investor relations of Aesthetic Medical International Holdings Finance Department Shenzhen Color Life Services Group Ltd. (NASDAQ: AIH) from Co., LTD. (HKEX: 01778). From March 2020 to May 2021 and as the financial department director of Meten EdtechX Education Group (NASDAQ: METX) from January 2019 2015 to February 2020. From May 2016, to October 2018, Mr. Yang served as the investment director of China First Capital Group, a company listed on the Hong Kong Stock Exchange (SEHK: 01269). Mr. Yang has also served Cui worked as a senior auditor at Ernst & Young from September 2011 to December 2013, financial assistant in Dongguan Yinji Group Co., LTD. Mr. Yang Cui graduated from Tianjin Jinan University of Finance in Guangdong, China. Mr. Cui entered into an employment agreement with the Company, which sets his annual compensation at \$30,000 and Economics in Tianjin, China with a bachelor’s degree in financial engineering, establishes other terms and obtained a master’s degree in finance from Brandeis University, conditions governing his service to the Company.

Mr. Xiangjun Wang has served as a member of the Board since December 14, 2020 and as a partner and practicing lawyer of Beijing Junzejun (Shenzhen) Law Firm since 2010. From 2008 to 2010, he practiced as a lawyer of Guangdong Shenpeng Law Firm. Mr. Wang served as the managing director of Shenzhen investment banking department of Pacific Securities Co., Ltd. from 2006 to 2008. He served as the deputy general manager of Ruigu Technology (Shenzhen) Co., Ltd. from 2003 to 2006. From 1999 to 2003, Mr. Wang worked in the supply chain management department and legal department of Huawei Technologies Co., Ltd. He is a licensed attorney and also a certified public accountant in China. Mr. Wang obtained his bachelor’s degree in theory of mechanical system and applied mechanics from Lanzhou University and his master’s degree in solid mechanics from Lanzhou University in 1999.

Mr. Heung Ming (Henry) Wong was the independent non-executive director of Shifang Holding Limited (SEHK: 1831) and Raffles Interiors Limited (SEHK: 1376) since November 8, 2010 and March 30, 2020 respectively. Both companies are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Wong has more than 27 years of experience in finance, accounting, internal controls and corporate governance in the United States, Singapore, China and Hong Kong. Prior to that, Mr. Wong was the chief financial officer of a Nasdaq listed Company, Meten EdtechX Education Group Ltd (NASDAQ: METX) from June 2020 to March 2021. Mr. Wong was also the chief financial officer and senior finance executive of various companies including being the chief financial officer of the Frontier Services Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0500) and the chief financial officer of Beijing Oriental Yuhong Waterproof Technology Co., Ltd., the leading waterproof materials manufacturer in China and a company listed on the Shenzhen Stock Exchange (SZSE: 2271). Mr. Wong began his career in an international accounting firm and moved along in audit fields by taking some senior positions both in internal and external audits including being a senior manager and a manager in PricewaterhouseCoopers, Beijing office and Deloitte Touche Tohmatsu, Hong Kong, respectively. Mr. Wong graduated from City University of Hong Kong in 1993 with a bachelor’s degree in accountancy and also obtained a master’s degree in electronic commerce from The Open University of Hong Kong in 2003. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Donghong Xiong has served as the managing director of Synergetic Innovation Fund Management Co., LTD. since 2014. He served as the M&A general manager at Shanghai Search Media Group from 2007 to 2013. Mr. Xiong holds a bachelor's degree in philosophy from Sun Yat-Sen University and also received his MBA and PhD in scientific philosophy from Sun Yat-Sen University.

Director Independence

Our Board reviewed the materiality of any relationship that each of our directors has with us, either directly or indirectly. Based on this review, it is determined that Heung Ming (Henry) Wong, Xiangjun Wang and Donghong Xiong are "independent directors" as defined by NASDAQ.

Committees of the Board of Directors

We have established an audit committee, a compensation committee and a nominating and governance committee. Each of the committees of the Board has the composition and responsibilities described below.

Audit Committee

Xiangjun Wang, Donghong Xiong, and Heung Ming (Henry) Wong are members of our Audit Committee, where Heung Ming (Henry) Wong serves as the chairman. All members of our Audit Committee satisfy the independence standards promulgated by the SEC and by NASDAQ as such standards apply specifically to members of audit committees.

We have adopted and approved a charter for the Audit Committee. In accordance with our Audit Committee Charter, our Audit Committee shall perform several functions, including:

- evaluates the independence and performance of, and assesses the qualifications of, our independent auditor, and engages such independent auditor;
- approves the plan and fees for the annual audit, quarterly reviews, tax and other audit-related services, and approves in advance any non-audit service to be provided by the independent auditor;
- monitors the independence of the independent auditor and the rotation of partners of the independent auditor on our engagement team as required by law;
- reviews the financial statements to be included in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q and reviews with management and the independent auditors the results of the annual audit and reviews of our quarterly financial statements;
- oversees all aspects of our systems of internal accounting control and corporate governance functions on behalf of the Board;
- reviews and approves in advance any proposed related-party transactions and reports to the full Board on any approved transactions; and
- provides oversight assistance in connection with legal, ethical and risk management compliance programs established by management and the Board, including Sarbanes-Oxley Act implementation, and makes recommendations to the Board regarding corporate governance issues and policy decisions.

It is determined that Heung Ming (Henry) Wong possesses accounting or related financial management experience that qualifies him as an "audit committee financial expert" as defined by the rules and regulations of the SEC.

Compensation Committee

Xiangjun Wang, Donghong Xiong and Heung Ming (Henry) Wong are members of our Compensation Committee where Donghong Xiong serves as the chairwoman. All members of our Compensation Committee are qualified as independent under the current definition promulgated by NASDAQ. We have adopted a charter for the Compensation Committee. In accordance with the Compensation Committee's Charter, the Compensation Committee is responsible for overseeing and making recommendations to the Board regarding the salaries and other compensation of our executive officers and general employees and providing assistance and recommendations with respect to our compensation policies and practices.

Nominating and Governance Committee

Xiangjun Wang, Donghong Xiong and Heung Ming (Henry) Wong are the members of our Nominating and Governance Committee where Xiangjun Wang serves as the chairman. All members of our Nominating and Governance Committee are qualified as independent under the current definition promulgated by NASDAQ. Our Board adopted and approved a charter for the Nominating and Governance Committee. According to the Nominating and Governance Committee's Charter, the Nominating and Governance Committee is responsible for identifying and proposing new potential director nominees to the board of directors for consideration and review our corporate governance policies.

Code of Conduct and Ethics

We have adopted a code of conduct and ethics applicable to our directors, officers and employees in accordance with applicable federal securities laws and NASDAQ rules. A copy of such code of conduct and ethics will be provided free of charge upon request made to our principal executive office.

Section 16 Compliance

Section 16(a) of the Exchange Act requires our directors, officers and persons who own more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other of our equity securities. To our knowledge, based solely on review of the copies of such reports furnished to us, Section 16(a) filings applicable to officers, directors and greater than 10% shareholders were timely made during the fiscal year 2022, 2023.

Family Relationships

There are no family relationships between or among the members of the Board or other executive officers of the Company.

Legal Proceedings Involving Officers and Directors

To the knowledge of the Company after reasonable inquiry, no Director Nominee during the past ten years, or any promoter who was a promoter at any time during the past five fiscal years, has (1) been subject to a petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing; (2) been convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities: (i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity; (ii) engaging in any type of business practice; or (iii) engaging in any activity in connection with the purchase or sale of any security commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws; (4) been the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (3)(i) of this section, or to be associated with persons engaged in any such activity; (5) been found by a court of competent jurisdiction in a civil action or by the SEC to have violated any Federal or State securities law, and the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated; (6) been found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated; (7) been the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (i) any Federal or State securities or commodities law or regulation; or (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or (8) been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Securities Exchange Act, as amended, any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29)), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Item 11.11. Executive Compensation.

The following table provides disclosure concerning all compensation paid for services to GLG BYU in all capacities for our fiscal years ended 2022 2023 and 2021 2022 provided by (i) each person serving as our principal executive officer (“PEO”), (ii) each person serving as our principal financial officer (“PFO”) and (iii) our two most highly compensated executive officers other than our PEO and PFO whose total compensation exceeded \$100,000 (collectively with the PEO, referred to as the “named executive officers” in this Executive Compensation section), directors.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Other Compensation (\$)	Total (\$)	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Other Compensation (\$)	Total (\$)
Renmei Ouyang (1) (CEO, Former COO)	2022	600,000	-	-	-	-	600,000	2023	80,000	-	-	-	-	80,000
	2021	600,000	-	-	-	-	600,000	2022	600,000	-	-	-	-	600,000
Tianshi (Stanley) Yang (2)	2022	78,800	-	-	-	-	78,800							
Wenhao Cui (2) (CFO)	2023	30,000	-	-	-	-	30,000	2022	-	-	-	-	-	-
	2021	51,174	-	-	-	-	51,174	2022						
Tianshi Yang (3)								2023	45,000					45,000
								2022	78,800					78,800

(1) Ms. Renmei Ouyang was appointed as the CEO of the Company on January 9, 2020. Ms. Renmei is entitled to an annual base salary of \$600,000 \$80,000 pursuant to the employment agreement she has with the Company.

(2) Mr. Wenhao Cui was appointed as the CFO of the Company on September 11, 2023. Mr. Wenhao is entitled to an annual base salary of \$30,000 pursuant to the employment agreement he has with the Company.

(3) Mr. Tianshi (Stanley) Yang was appointed as the CFO of the Company on June 11, 2021, and resigned from his position on September 11, 2023.

Grants of Plan Based Awards in the Fiscal Year Ended December 31, 2022 December 31, 2023

During the fiscal year ended December 31, 2022 December 31, 2023, no shares of common stock were granted to our officers and directors under the plan.

Outstanding Equity Awards at Fiscal Year-End

None.

Director Compensation

The following table represents compensation earned by our non-executive directors in 2022, 2023.

Name	Fees earned in cash (\$)	Stock awards (\$)	Option awards (\$)	All other compensation (\$)	Total (\$)	Fees earned in cash (\$)	Stock awards (\$)	Option awards (\$)	All other compensation (\$)	Total (\$)
Xiangjun Wang ⁽¹⁾	\$ -	23,400	-	-	23,400	\$ -	20,000	-	-	20,000
Heung Ming (Henry) Wong ⁽²⁾	\$ -	35,100	-	-	35,100	\$ -	30,000	-	-	30,000
Donghong Xiong ⁽³⁾	\$ -	11,700	-	-	11,700	\$ -	30,000	-	-	30,000

- (1) Mr. Xiangjun Wang was appointed as a director of the Company on December 14, 2020 and has received annual compensation of 20,000 100,000 shares of common stock of the Company during 2022, 2023, about \$23,400 \$20,000 value.
- (2) Mr. Heung Ming (Henry) Wong was appointed as a director of the Company on April 27, 2021 and shall receive has received annual compensation of 30,000 150,000 shares of common stock of the Company per year, and during 2022 he received annual compensation of 2023, about \$ 30,000 shares of common stock of the Company, about \$23,400 value.
- (3) Mr. Donghong Xiong was appointed as a director of the Company on February 8, 2021 and shall receive has received annual compensation of 10,000 150,000 shares of common stock of the Company per year. during 2023, about \$30,000 value.

Item 12. Security 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth information regarding the beneficial ownership of our common stock as of **March 3, 2023** **March 22, 2024** by our officers, directors and 5% or greater beneficial owners of common stock. There is no other person or group of affiliated persons, known by us to beneficially own more than 5% of our common stock.

We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Unless otherwise indicated, the person identified in this table has sole voting and investment power with respect to all shares shown as beneficially owned by him, subject to applicable community property laws.

Name and address of Beneficial Owner ⁽¹⁾	Number of Shares of Common Stock Beneficially Owned	Percent of Class Beneficially Owned	Number of Shares of Common Stock Beneficially Owned	Percent of Class Beneficially Owned
5% stockholders:				
Shuxiang Zhang ⁽²⁾	27,934,000	19.34 %		
Katie Ou	11,442,996	7.92 %		
Chaoliang Yang	10,750,000	7.44 %		
Qing Ouyang	7,550,000	5.23 %		
Katie Ou ⁽²⁾			3,673,860	18.57 %
FLYING HEIGHT CONSULTING SERVICES LIMITED ⁽³⁾			1,850,000	9.35 %
FLYING HEIGHT TRADING CO.,LIMITED ⁽⁴⁾			1,500,000	7.58 %
Qingying Yuan ⁽⁵⁾			1,200,000	6.07 %
Shanchuan Tan ⁽⁶⁾			1,031,488	5.21 %
Chao Luo ⁽⁷⁾			1,000,000	5.05 %
Directors and Executive Officers:				
Renmei Ouyang	-	*	-	*
Donghong Xiong	-	*	-	*
Tianshi (Stanley) Yang	-	*		
Wenhao Cui			30,000	0.15 %*
Heung Ming (Henry) Wong	30,000	*	-	*
Xiangjun Wang	30,000	*	2,600	0.01 %*
All officers and directors as a group (9 persons)	57,736,996	39.98 %		
All officers and directors as a group (11 persons)			10,287,948	52.00 %

* Less than 1%

(1) Unless otherwise indicated the address of the beneficial owners are c/o 139, Xinzhou 11th Street, Futian District, Shenzhen, Guangdong, PRC 518000.

(2) Mr. Shuxiang Zhang's Katie Ou's address is Floor 7 Building D, No.28 Chengfu Road, Haidian District, Beijing, China. QUADRO RESIDENCES KLCC, C-03A-1 KUALA LUMPUR MALAYSIA.

(3) FLYING HEIGHT CONSULTING SERVICES LIMITED address is NO.115, LANE 800, RUILIN ROAD NANXIANG TOWN, JIADING DISTRICT SHANGHAI CHINA.

(4) FLYING HEIGHT TRADING CO.,LIMITED address is TAK WING INDUSTRY BLDS 3 TSUN WEN ROAD TUEN MUN NT CHINA

(5) Qingying Yuan's address is BUILDING 19 TIAN TONG YUAN CHANGPING DISTRICT BEIJING CHINA

(6) Shanchuan Tan's address is PHASE 1, TIANMAHE NO.1, NO.5 LIHONG SOUTH ROAD, HUADU DISTRICT GUANGZHOU CITY GUANGDONG CHINA

(7) Chao Luo's address is BUILDING 5 DONGJIANG GARDEN FENGGANG TOWN DONGGUAN GUANGDONG PROVINCE CHINA

Item 13.13. Certain Relationships Relationships and Related Transactions, and Director Independence.

1) Nature of relationships with related parties

Name	Relationship with the Company
Guangzhou Chengji Investment Development Co., Ltd. (“ Guangzhou Chengji ” Chengji)	Controlled by Mr. Weicheng Pan, who is a former independent director of the Company.
Yunfeihu International E-commerce Group Co., Ltd (“ Yunfeihu ” Yunfeihu)	An affiliate of the Company, over which an immediate family member of chief executive officer owns equity interest and plays a role of director and senior management
Shenzhen Tongdow International Trade Co., Ltd. (“ TD International Trade ” Trade)	Controlled by an immediate family member of chief executive officer of the Company
Beijing Tongdow E-commerce Co., Ltd. (“ Beijing TD ” TD)	Wholly owned by Tongdow E-commerce Group Co., Ltd. which is controlled by an immediate family member of chief executive officer of the Company
Shanghai Tongdow Supply Chain Management Co., Ltd. (“ Shanghai TD ” TD)	Controlled by an immediate family member of chief executive officer of the Company
Guangdong Tongdow Xinyi Cable New Material Co., Ltd. (“ Guangdong TD ” TD)	Controlled by an immediate family member of chief executive officer of the Company
Yangzhou Tongdow E-commerce Co., Ltd. (“ Yangzhou TD ” TD)	Controlled by an immediate family member of chief executive officer of the Company
Tongdow (Zhejiang) Supply Chain Management Co., Ltd. (“ Zhejiang TD ” TD)	Controlled by an immediate family member of chief executive officer of the Company
Shenzhen Meifu Capital Co., Ltd. (“ Shenzhen Meifu ” Meifu)	Controlled by chief executive officer of the Company
Shenzhen Tiantian Haodian Technology Co., Ltd. (“ TTHD ” TTHD)	Wholly owned by Shenzhen Meifu
Hainan Tongdow International Trade Co., Ltd. (“ Hainan TD ” TD)	Controlled by an immediate family member of chief executive officer of the Company
Yunfeihu modern logistics CO., Ltd (“ Yunfeihu Logistics ” Logistics)	Controlled by an immediate family member of chief executive officer of the Company
Shenzhen Tongdow Jingu Investment Holding Co., Ltd (“ Shenzhen Jingu ” Jingu)	Controlled by an immediate family member of chief executive officer of the Company
Tongdow E-commerce Group Co., Ltd (“ TD E-commerce ” E-commerce)	Controlled by an immediate family member of chief executive officer of the Company
Katie Ou	Shareholder of TD BAIYU Holdings, Inc Inc.

2) Balances with related parties

As of December 31, 2022, December 31, 2023 and 2021, 2022, the balances with related parties were as follows:

Due from related parties

	December 31, 2022	December 31, 2021
Yunfeihu (i)	\$ -	\$ 11,358,373
Total due from related parties	<u>\$ -</u>	<u>\$ 11,358,373</u>

As of December 31, 2023 and 2022, no balance of due from related parties.

(i) The balance due from Yunfeihu represented loans provided to the related party. Both the principal and interest have been due in May 2022, with an interest rate of 10.95% per annum.

- Due to related parties

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
TD E-commerce	\$ 38,767,481	\$ -	\$ 38,121,056	\$ 38,767,481
Other related parties	-	21,174	-	-
Total due to related parties	<u>\$ 38,767,481</u>	<u>\$ 21,174</u>	<u>\$ 38,121,056</u>	<u>\$ 38,767,481</u>

3) Transactions with related parties

Revenues generated from related parties:

For the years ended December 31, 2022, December 31, 2023 and 2021, 2022, the Company generated revenues from below related party customers:

	For the Years Ended December 31,		For the Years Ended December 31,	
	2022	2021	2023	2022
Revenue from sales of commodity products				
Yunfeihu	\$ -	\$ 22,403,309	\$ -	\$ -
Yangzhou TD	-	1,646,690	-	-
Total revenues generated from related parties	<u>\$ -</u>	<u>\$ 24,049,999</u>	<u>\$ -</u>	<u>\$ -</u>

Purchases from a related party:

For the years ended **December 31, 2022**, **December 31, 2023** and **2021**, **2022**, the Company purchased commodity products from below related party vendors:

	For the Years Ended December 31,	
	2022	2021
Purchase of commodity products		
Yangzhou TD	\$ -	\$ 7,998,963
Yunfeihu	-	1,643,472
TD International Trade	-	1,124,753
Hainan TD	-	3,700,921
Zhejiang TD	-	7,974,703
	\$ -	\$ 22,442,812

	For the Years Ended December 31,	
	2023	2022
Purchase of commodity products		
Yangzhou TD	\$ -	\$ -
Yunfeihu	-	-
TD International Trade	-	-
Hainan TD	-	-
Zhejiang TD	-	-
	<u>\$ -</u>	<u>\$ -</u>

Item 14.14. Principal Accountant Fees and Services.

The following table shows the fees that were billed for audit and other services during the fiscal years ended **December 31, 2022**, December 31, 2023 and **2021**; 2022:

	For the Fiscal Years ended December 31,		For the Fiscal Years ended December 31,	
	2022	2021	2023	2022
Audit Fees (1)	\$ 237,715	\$ 339,000	\$ 236,500	\$ 237,715
Audit-related Fees (2)	88,500	2,000	16,000	88,500
Tax Fees (3)	-	-	-	-
All Other Fees (4)	-	-	-	-
Total	<u>\$ 326,215</u>	<u>\$ 341,000</u>	<u>\$ 252,500</u>	<u>\$ 326,215</u>

- (1) **Audit Fees** - This category includes the audit of our annual financial statements, review of financial statements included in our Quarterly Reports on Form 10-Q, and services that are normally provided by independent auditors in connection with the engagement for fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.
- (2) **Audit-Related Fees** - This category consists of assurance and related services by our independent auditors that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees."
- (3) **Tax Fees** - This category consists of professional services rendered by our independent auditors for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.
- (4) **All Other Fees** - This category consists of fees for other miscellaneous items.

The Audit Committee of our board of directors has established its pre-approval policies and procedures, pursuant to which the Audit Committee approved the **foregoing** relevant audit, tax and non-audit services provided by **our previous auditor, Audit Alliance LLP**, in 2022 and **2021**; 2021; and **audit, tax and non-audit services provided by our current auditor, Enrome LLP**, in 2023. Consistent with the Audit Committee's responsibility for engaging our independent auditors, all audit and permitted non-audit services require pre-approval by the Audit Committee. The full Audit Committee approves proposed services and fee estimates for these services. One or more independent directors serving on the Audit Committee may be delegated by the full Audit Committee to pre-approve any audit and non-audit services. Any such delegation shall be presented to the full Audit Committee at its next scheduled meeting. Pursuant to these procedures, the Audit Committee approved the **foregoing** audit services provided by Audit Alliance **LLP**, LLP in 2022 and 2021 and the audit services provided by **Enrome LLP** in 2023.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(1) Financial Statements

Financial Statements and Report of Independent Registered Public Accounting Firms are set forth on pages F-1 through F-36 of this report.

(2) Financial Statement Schedules

Schedules are omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule or because the information required is given in the consolidated financial statements or the notes thereto.

(3) Exhibits

Exhibit	Description
3.1	Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 of the draft registration statement on Form DRS filed on February 14, 2013
3.2	Bylaws of Registrant, incorporated herein by reference to Exhibit 3.2 of the draft registration statement on Form DRS filed on February 14, 2013
3.3	Articles of Association of Wujiang Luxiang Rural Microcredit Co. Ltd., incorporated herein by reference to Exhibit 3.3 of the registration statement on Form S-1/A filed on June 27, 2013
3.4	Certificate of Approval of Wujiang Luxiang Rural Microcredit Co. Ltd., incorporated herein by reference to Exhibit 3.4 of the registration statement on Form S-1 filed on June 7, 2013
3.5	Certificate of Amendment of the Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.5 of the registration statement on Form S-1/A filed on July 16, 2013
3.6	Certificate of Amendment to the Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on January 16, 2019
3.7	Certificate of Amendment to the Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on June 7, 2019
3.8	Certificate of Amendment to the Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on March 12, 2020
3.9	Certificate of Amendment to Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on April 21, 2021
3.10	Certificate of Amendment to Certificate of Incorporation of Registrant, incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on August 17, 2022
3.11	Certificate of Amendment of Certificate of Incorporation, filed with the Secretary of State of Delaware on October 19, 2023, incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on October 20, 2023
10.1	Amended and Restated Employment Agreement dated January 9, 2020 by and between Registrant and Renmei Ouyang, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on January 10, 2020
10.2	Director Offer Letter, dated December 14, 2020, by and between the Company and Xiangjun Wang, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on December 16, 2020
10.3	Director Offer Letter, dated February 8, 2021 by and between the Company and Donghong Xiong, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on February 8, 2021
10.4	Director Offer Letter, dated April 27, 2021 by and between the Company and Heung Ming (Henry) Wong, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on May 3, 2021
10.5	Employment Agreement, dated June 11, 2021 by and between the Company and Tianshi (Stanley) Yang, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on June 11, 2021
10.6	Securities Purchase Agreement between the Company and Streeterville Capital, LLC, dated May 6, 2022, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on May 10, 2022

10.7	Convertible Promissory Note dated May 6, 2022, incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on May 10, 2022
10.8	Form of Common Stock Purchase Agreement, dated May 27, 2022, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on May 31, 2022
10.9	Exclusive Business Cooperation Agreement, dated October 17, 2022, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on October 18, 2022
10.10	Share Pledge Agreement, dated October 17, 2022, incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on October 18, 2022
10.11	Exclusive Option Agreement, dated October 17, 2022, incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed on October 18, 2022
10.12	Power of Attorney, dated October 17, 2022, incorporated by reference to Exhibit 10.4 of the Current Report on Form 8-K filed on October 18, 2022
10.13	Timely Reporting Agreement, dated October 17, 2022, incorporated by reference to Exhibit 10.5 of the Current Report on Form 8-K filed on October 18, 2022
10.14	Form of Common Stock Securities Purchase Agreement dated November 6, 2022, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on November 7, 2022
10.15	Settlement and Mutual Release Agreement, dated September 13, 2021, by and between TD Holdings, Inc. and White Lion Capital, LLC, incorporated by reference to Exhibit 10.26 of the Company's Registration Statement on Form S-1/A filed with the SEC on September 14, 2021)
10.16	Settlement and Restated Common Stock Purchase Agreement, dated December 12, 2022, by and between TD Holdings, Inc. and White Lion Capital, LLC, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on December 14, 2022
10.17	Form of Common Stock Purchase Agreement, dated January 9, 2023, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on January 10, 2023
10.18	Securities Purchase Agreement, dated March 13, 2023, incorporated by reference to Exhibit 10.1 of the Current Teprot on Form 8-K filed on March 13, 2023
10.19	Convertible Promissory Note, dated March 13, 2023, incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on March 13, 2023
10.20	Form of Securities Purchase Agreement, dated July 31, 2023, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on July 31, 2023
10.21	Employment Agreement, dated September 11, 2023 by and between the Company and Wenhao Cui, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on September 11, 2023
10.22	Employment Agreement, dated September 11, 2023 by and between the Company and Ge Ouyang, incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on September 11, 2023
10.23	Securities Purchase Agreement, dated as of November 16, 2023, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on November 17, 2023
16.1	Letter From Audit Alliance LLP to the Securities and Exchange Commission, dated November 30, incorporated by reference to Exhibit 16.1 of the Current Report on Form 8-K filed on November 30, 2023
19.1*	Insider Trading Policy
21.1*	Subsidiaries of the Registrant
23.1*	Consent of Enrome LLP
23.2*	Consent of Audit Alliance LLP
31.1*	Certification by Chief Executive Officer pursuant to Sarbanes Oxley Section 302
31.2*	Certification by Chief Financial Officer pursuant to Sarbanes Oxley Section 302
32.1**	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2**	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350
97*	Clawback Policy
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104 104.1	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
104.2	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TD BAIYU HOLDINGS, INC.

Date: ~~March 10, 2023~~ March 22, 2024

By: /s/ Renmei Ouyang
 Name: Renmei Ouyang
 Title: Chief Executive Officer and
 Chairwoman of the Board

 (Principal Executive Officer)

By: /s/ Tianshi (Stanley) Yang Wenhao Cui
 Name: Tianshi (Stanley) Yang Wenhao Cui
 Title: Chief Financial Officer and Director
 (Principal Financial and Accounting Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Renmei Ouyang</u> Renmei Ouyang	Chief Executive Officer and Chairwoman of the Board (Principal Executive Officer)	March 10, 2023 22, 2024
<u>/s/ Tianshi (Stanley) Yang Wenhao Cui</u> Tianshi (Stanley) Yang Wenhao Cui	Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer)	March 10, 2023 22, 2024
<u>/s/ Xiangjun Wang</u> Xiangjun Wang	Director	March 10, 2023 22, 2024
<u>/s/ Heung Ming (Henry) Wong</u> Heung Ming (Henry) Wong	Director	March 10, 2023 22, 2024
<u>/s/ Donghong Xiong</u> Donghong Xiong	Director	March 10, 2023 22, 2024

TD HOLDINGS, INC. BAIYU Holdings, Inc.
(FORMERLY BAT GROUP, INC. TD Holdings, Inc.)

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm (PCAOB ID # 3487)(Enrome LLP, Singapore, PCAOB ID:6907)	F-2
Consolidated Balance Sheets at December 31, 2022 and 2021 Report of Independent Registered Public Accounting Firm(Audit Alliance LLP, Singapore, PCAOB ID:3487)	F-5
Consolidated Statement of Operations Balance Sheets at December 31, 2023 and Comprehensive Income (Loss) for the years ended December 31, 2022 and 2021 2022	F-6 F-8
Consolidated Statement of Operations and Comprehensive Loss for the years ended December 31, 2023 and 2022	F-9
Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2022 December 31, 2023 and 2021 2022	F-7 F-10
Consolidated Statements of Cash Flows for the years ended December 31, 2022 December 31, 2023 and 2021 2022	F-8 F-11
Notes to the Consolidated Financial Statements	F-9 F-12 - F-37 F-38

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
BAIYU Holdings, Inc and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of BAIYU Holdings, Inc and its subsidiaries. (the “Company”) as of December 31, 2023, the related consolidated statements of operations and comprehensive loss, changes in shareholders’ equity and cash flows, for the year ended December 31,2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31,2023, and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

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

Valuation of Loans Receivable

As described in Note 4 to the financial statements, the Company monitors all loans receivable for delinquency and provides for estimated losses for specific receivables that are not likely to be collected. As disclosed in the Note 4 to the financial statements, the balances of loans receivable from third parties were \$240.43 million as of December 31, 2023.

The principal considerations for our determination that auditing management's assessment of impairment of loans receivable is a critical audit matter included the significant judgment made by management when considering factors in assessing collectability of the loan receivables as described above, as well as the likelihood of the occurrence of these factors impacting the collectability. In turn, such management's assessment led to challenging and subjective auditor judgment in performing our audit procedures.

Our audit of valuation of loans receivable included, but was not limited to, the following procedures:

- understanding of controls relating to management assessment of the loans receivable allowance;
- reviewing management's impairment assessment, including its supporting evidence such as subsequent repayments;
- examining original transaction related documents;
- confirming balance with the borrowers;
- searching public information for the operating and financial conditions of the borrowers;
- evaluating the sufficiency of the Company's disclosures to loans receivable.

Goodwill-Shenzhen Qianhai Baiyu Supply Chain Co., Ltd. ("Baiyu") and Shenzhen Tongdow Internet Technology Co., Ltd. ("Tongdow Internet Technology")

As described in Note 2 and Note 3 to the consolidated financial statements, the Company acquired the Baiyu and *Tongdow Internet Technology* in 2020 and 2022, respectively. The goodwill arising on this acquisition amounted to \$63.94 million and \$93.60 million, respectively, as of December 31, 2023.

Management assessed goodwill for potential impairment as of December 31, 2023 by comparing the carrying amount of the cash-generating unit to which goodwill has been allocated with the recoverable amount determined by assessing the value-in-use ("VIU") by preparing a discounted cash flow forecast. Preparing a discounted cash flow forecast involves the exercise of significant management judgement, in particular in forecasting revenue growth and operating profit and in determining an appropriate discount rate.

The Company's balance of goodwill allocated to Baiyu and Tongdow Internet Technology as of December 31, 2023 was \$63.94 million and \$93.60 million, respectively. Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. The Company has elected to perform quantitative assessment. In the quantitative assessment, the Company's evaluation of goodwill for impairment involves the comparison of the fair value of Baiyu and Tongdow Internet Technology to their carrying value. The Company used the discounted cash flow model to estimate fair value, which requires management to make significant estimates and assumptions related to discount rates and forecasts of future revenues and operating margins. Changes in these assumptions could have a significant impact on either the fair value, the amount of any goodwill impairment charge. Based on the quantitative assessment performed, if it is more likely than not that the fair value is less than its carrying amount. During the year ended December 31, 2023, no impairment charge on goodwill was recognized based on the quantitative assessment performed.

We identified goodwill impairment for the Baiyu and *Tongdow Internet Technology* as a critical audit matter because it is the material to the consolidated financial statements of the Company and certain significant judgments in respect of the assumption made which are inherently uncertain and could be subject to management bias made by management to estimate the fair value of the Baiyu and Tongdow Internet Technology and the difference between its fair value and carrying value. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to selection of the discount rate and forecasts of future revenue and operating margin.

Our audit procedures relating to the discount rate and forecasts of future revenue and operating margin used by management to estimate the fair value of the Baiyu and Tongdow Internet Technology included the following, among others:

- We evaluated management's ability to accurately forecast future revenues and operating margins by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's revenue and operating margin forecasts by comparing the forecasts to historical revenues and operating margins.
- With the assistance of fair value specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) discount rate by:
 - a. Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation;
 - b. Developing a range of independent estimates and comparing those to the discount rate selected by management.

/s/ Enrome LLP

Singapore

March 22, 2024

PCAOB ID Number is 6907

We have served as the Company's auditor since 2023.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

TD Holdings, Inc and Subsidiaries

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of TD Holdings, Inc and its subsidiaries. (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income (loss), changes in shareholders’ equity and cash flows, for the year ended December 31, 2022 and 2021, December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, December 31, 2022, and the consolidated results of its operations and its cash flows for the year ended December 31, 2022 and 2021, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

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

Valuation of Loans Receivable

As described in Note 4 to the financial statements, the Company monitors all loans receivable for delinquency and provides for estimated losses for specific receivables that are not likely to be collected. As disclosed in the Note 4 to the financial statements, the balances of loans receivable from third parties were \$143.17 million as of December 31, 2022.

The principal considerations for our determination that auditing management's assessment of impairment of loans receivable is a critical audit matter included the significant judgment made by management when considering factors in assessing collectability of the loan receivables as described above, as well as the likelihood of the occurrence of these factors impacting the collectability. In turn, such management's assessment led to challenging and subjective auditor judgment in performing our audit procedures.

Our audit of valuation of loans receivable included, but was not limited to, the following procedures:

- understanding of controls relating to management assessment of the loans receivable allowance;
- reviewing management's impairment assessment, including its supporting evidence such as subsequent repayments;
- examining original transaction related documents;
- confirming balance with the borrowers;
- searching public information for the operating and financial conditions of the borrowers;
- evaluating the sufficiency of the Company's disclosures to loans receivable.

Goodwill-Shenzhen Qianhai Baiyu Supply Chain Co., Ltd. ("Baiyu") and Shenzhen Tongdow Internet Technology Co., Ltd. ("Tongdow Internet Technology")

As described in Note 2 and Note 3 to the consolidated financial statements, the Company acquired the Baiyu and *Tongdow Internet Technology* in 2020 and 2022, respectively. The goodwill arising on this acquisition amounted to \$65.02 million and \$95.19 million, respectively, as of December 31, 2022.

Management assessed goodwill for potential impairment as of December 31 2022 by comparing the carrying amount of the cash-generating unit to which goodwill has been allocated with the recoverable amount determined by assessing the value-in-use ("VIU") by preparing a discounted cash flow forecast. Preparing a discounted cash flow forecast involves the exercise of significant management judgement, in particular in forecasting revenue growth and operating profit and in determining an appropriate discount rate

The Company's balance of goodwill allocated to Baiyu and Tongdow Internet Technology as of December 31, 2022 was \$65.02 million and \$95.19 million, respectively. Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. The Company has elected to perform quantitative assessment. In the quantitative assessment, the Company's evaluation of goodwill for impairment involves the comparison of the fair value of Baiyu and Tongdow Internet Technology to their carrying value. The Company used the discounted cash flow model to estimate fair value, which requires management to make significant estimates and assumptions related to discount rates and forecasts of future revenues and operating margins. Changes in these assumptions could have a significant impact on either the fair value, the amount of any goodwill impairment charge. Based on the quantitative assessment performed, if it is more likely than not that the fair value is less than its carrying amount. During the year ended December 31, 2022, no impairment charge on goodwill was recognized based on the quantitative assessment performed.

We identified goodwill impairment for the Baiyu and *Tongdow Internet Technology* as a critical audit matter because it is the material to the consolidated financial statements of the Company and certain significant judgments in respect of the assumption made which are inherently uncertain and could be subject to management bias made by management to estimate the fair value of the Baiyu and Tongdow Internet Technology and the difference between its fair value and carrying value. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to selection of the discount rate and forecasts of future revenue and operating margin.

Our audit procedures relating to the discount rate and forecasts of future revenue and operating margin used by management to estimate the fair value of the Baiyu and Tongdow Internet Technology included the following, among others:

- We evaluated management's ability to accurately forecast future revenues and operating margins by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's revenue and operating margin forecasts by comparing the forecasts to historical revenues and operating margins.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) discount rate by:
 - a. Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation;
 - b. Developing a range of independent estimates and comparing those to the discount rate selected by management.

/s/ Audit Alliance LLP

Singapore

March 10, 2023

PCAOB ID Number is 3487

We have served as the Company's auditor since 2021.

TD HOLDINGS, INC. BAIYU Holdings, Inc.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2022 December 31, 2023 and 2021 2022

ASSETS	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Current Assets				
Cash and cash equivalents	\$ 893,057	\$ 4,311,068	\$ 1,516,358	\$ 893,057
Loans receivable from third parties	143,174,634	115,301,319	240,430,865	143,174,634
Due from related parties	-	11,358,373		
Inventories, net	458,157	-	259,806	458,157
Other current assets	4,040,477	3,288,003	10,134,829	4,040,477
Total current assets	148,566,325	134,258,763	252,341,858	148,566,325
Non-Current Assets				
Plant and equipment, net	6,370	2,872	32,090	6,370
Goodwill	160,213,550	71,028,283	157,542,081	160,213,550
Intangible assets, net	54,114,727	21,257,337	45,285,617	54,114,727
Right-of-use assets, net	196,826	888,978	83,375	196,826
Total non-current assets	214,531,473	93,177,470	202,943,163	214,531,473
Total Assets	\$ 363,097,798	\$ 227,436,233	\$ 455,285,021	\$ 363,097,798
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	\$ 1,269	\$ 3,337,758	-	\$ 1,269
Bank borrowings	1,005,083	1,129,288	1,057,648	1,005,083
Third party loans payable	460,587	476,779	476,627	460,587
Advances from customers	437,148	5,221,874	3,090,201	437,148
Due to related parties	38,767,481	21,174		
Income tax payable	11,634,987	8,441,531	16,187,826	11,634,987
Lease liabilities	116,170	310,665	86,691	116,170
Other current liabilities	5,348,646	4,297,793	6,578,349	5,348,646
Convertible promissory notes	4,208,141	3,562,158	4,284,622	4,208,141
Total current liabilities	61,979,512	26,799,020	31,761,964	23,212,031
Non-Current Liabilities				
Deferred tax liabilities	3,059,953	4,178,238	2,256,696	3,059,953
Due to related parties			38,121,056	38,767,481
Lease liabilities	84,164	586,620	-	84,164
Total non-current liabilities	3,144,117	4,764,858	40,377,752	41,911,598
Total liabilities	65,123,629	31,563,878	72,139,716	65,123,629
Commitments and Contingencies (Note 17)				
Shareholders' Equity				
Common stock (par value \$0.001 per share, 600,000,000 shares authorized; 106,742,117 and 27,634,830 shares issued and outstanding as of December 31, 2022 and 2021, respectively) *	106,742	27,635		

Common stock (par value \$0.001 per share, 600,000,000 shares authorized; 19,335,220 and 2,134,842 shares issued and outstanding as of December 31, 2023 and 2022, respectively) *			19,335	2,135
Additional paid-in capital	344,295,992	224,900,948	438,980,687	344,400,599
Statutory surplus reserve	2,602,667	1,477,768	2,602,667	2,602,667
Accumulated deficit	(38,800,375)	(42,200,603)	(39,520,164)	(38,800,375)
Accumulated other comprehensive (loss)income	(8,984,925)	11,666,607		
Total TD Shareholders' Equity	299,220,101	195,872,355		
Accumulated other comprehensive loss			(16,144,752)	(8,984,925)
Total BAIYU Shareholders' Equity			385,937,773	299,220,101
Non-controlling interest	(1,245,932)	-	(2,792,468)	(1,245,932)
Total Shareholders' Equity	297,974,169	195,872,355	383,145,305	297,974,169
Total Liabilities and Shareholders' Equity	\$ 363,097,798	\$ 227,436,233	\$ 455,285,021	\$ 363,097,798

* Retrospectively restated due to **five fifty for one Reverse Stock Split**, see Note 13 - Reverse stock split of common stock.
The accompanying notes are an integral part of the consolidated financial statements.

BAIYU HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the Years Ended December 31, 2023 and 2022
(Expressed in U.S. dollars, except for the number of shares)

	For the Years Ended December 31,	
	2023	2022
Revenues		
Sales of commodity products - third parties	\$ 134,558,086	\$ 155,443,398
Supply chain management services - third parties	67,981	1,391,903
Total Revenues	134,626,067	156,835,301
Cost of revenues		
Commodity product sales - third parties	(134,756,423)	(155,789,519)
Supply chain management services - third parties	(59,118)	(7,525)
Total operating costs	(134,815,541)	(155,797,044)
Gross (loss) profit	(189,474)	1,038,257
Operating expenses		
Selling, general, and administrative expenses	(16,591,688)	(8,844,739)
Share-based payment for service	-	(44,000)
Total operating expenses	(16,591,688)	(8,888,739)
Other income (expenses), net		
Interest income	20,103,265	17,035,200
Interest expenses	(605,430)	(523,980)
Amortization of beneficial conversion feature relating to issuance of convertible promissory notes	(982,961)	(1,212,617)
Other income (expense), net	15,019	59,088
Total other income, net	18,529,893	15,357,691
Net income before income taxes	1,748,731	7,507,209
Income tax expenses	(4,015,056)	(3,253,672)
Net (loss) income	(2,266,325)	4,253,537
Less: Net loss attributable to non-controlling interests	(1,546,536)	(271,590)
Net (loss) income attributable to BAIYU Holdings, Inc.'s Stockholders	\$ (719,789)	\$ 4,525,127
Other comprehensive income(loss)		
Net (loss) income	\$ (2,266,325)	\$ 4,253,537
Foreign currency translation adjustment	(7,159,827)	(20,651,532)
Comprehensive loss	(9,426,152)	(16,397,995)
Less: Total comprehensive loss attributable to non-controlling interests	(1,546,536)	(271,590)
Comprehensive loss attributable to BAIYU Holdings, Inc.	(7,879,616)	(16,126,405)
Weighted Average Shares Outstanding-Basic	4,682,151	1,059,455
Weighted Average Shares Outstanding- Diluted	8,523,958	1,171,805
income (loss) per share- basic	\$ (0.48)	\$ 4.01
income (loss) per share- diluted	\$ (0.27)	\$ 3.63

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

BAIYU HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in U.S. dollars, except for the number of shares)

	Common stock		Additional paid-in capital	Statutory surplus reserve	Accumulated deficit	Accumulated other comprehensive income (loss)	Non-controlling interest	Total Equity
	Shares	Amount						
Balance as of December 31, 2021	552,697	\$ 553	\$ 224,928,030	\$ 1,477,768	\$ (42,200,603)	\$ 11,666,607	\$ -	\$ 195,872,355
Issuance of common stocks in connection with private placements	1,488,400	1,488	114,418,512	-	-	-	-	114,420,000
Issuance of common stocks pursuant to exercise of warrants	93,745	94	4,141,057	-	-	-	-	4,141,151
Beneficial conversion feature relating to issuance of convertible promissory notes	-	-	913,000	-	-	-	-	913,000
Appropriation of statutory reserve	-	-	-	1,124,899	(1,124,899)	-	-	-
Net income	-	-	-	-	4,525,127	-	(271,590)	4,253,537
Foreign currency translation adjustments	-	-	-	-	-	(20,651,532)	-	(20,651,532)
Acquisition of Tongdao Internet	-	-	-	-	-	-	(974,342)	(974,342)
Balance as of December 31, 2022	2,134,842	\$ 2,135	\$ 344,400,599	\$ 2,602,667	\$ (38,800,375)	\$ (8,984,925)	\$ (1,245,932)	\$ 297,974,169
Issuance of common stocks in connection with private placements	16,260,000	16,260	83,483,740	-	-	-	-	83,500,000
Issuance of common stocks pursuant to At-The-Market Offering (ATM) transaction	13,786	14	559,059	-	-	-	-	559,073
Issuance of common stocks pursuant to exercise of convertible promissory notes	706,592	706	3,936,509	-	-	-	-	3,937,215
Issuance of common stock pursuant to stock incentive stock plan (in Shares)	220,000	220	5,687,780	-	-	-	-	5,688,000
Beneficial conversion feature relating to issuance of convertible promissory notes	-	-	913,000	-	-	-	-	913,000
Net loss	-	-	-	-	(719,789)	-	(1,546,536)	(2,266,325)
Foreign currency translation adjustments	-	-	-	-	-	(7,159,827)	-	(7,159,827)
Balance as of December 31, 2023	19,335,220	\$ 19,335	438,980,687	2,602,667	(39,520,164)	(16,144,752)	(2,792,468)	383,145,305

* Retrospectively restated due to fifty for one Reverse Stock Split, see Note 13 - Reverse stock split of common stock.

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

TD BAIYU HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2022 and 2021
(Expressed in U.S. dollars, except for the number of shares)

	For the Years Ended December 31,	
	2022	2021
Revenues		
Sales of commodity products - third parties	\$ 155,443,398	\$ 173,904,016
Sales of commodity products - related parties	-	24,049,999
Supply chain management services - third parties	1,391,903	3,180,227
Total Revenues	156,835,301	201,134,242
Cost of revenues		
Commodity product sales - third parties	(155,789,519)	(173,996,000)
Commodity product sales - related parties	-	(24,045,511)
Supply chain management services - third parties	(7,525)	(84,118)
Total operating costs	(155,797,044)	(198,125,629)
Gross profit	1,038,257	3,008,613
Operating expenses		
Selling, general, and administrative expenses	(8,844,739)	(8,137,481)
Share-based payment for service	(44,000)	(1,836,442)
Total operating expenses	(8,888,739)	(9,973,923)
Other income (expenses), net		
Interest income	17,035,200	10,079,776
Interest expenses	(523,980)	(313,965)
Amortization of beneficial conversion feature relating to issuance of convertible promissory notes	(1,212,617)	(1,463,883)
Other income (expense), net	59,088	(285,774)
Total other income, net	15,357,691	8,016,154
Net income from continuing operations before income taxes	7,507,209	1,050,844
Income tax expenses	(3,253,672)	(1,991,201)
Net income (loss)	4,253,537	(940,357)
Less: Net loss attributable to non-controlling interests	(271,590)	-
Net income(loss) attributable to TD Holdings, Inc.'s Stockholders	\$ 4,525,127	\$ (940,357)
Other comprehensive income(loss)		
Net income (loss)	\$ 4,253,537	\$ (940,357)
Foreign currency translation adjustment	(20,651,532)	4,781,112
Comprehensive (loss) income	(16,397,995)	3,840,755
Less: Total comprehensive loss attributable to non-controlling interests	(271,590)	-
Comprehensive (loss) income attributable to TD Holdings, Inc.	(16,126,405)	3,840,755
Weighted Average Shares Outstanding-Basic	52,972,727	21,483,527
Weighted Average Shares Outstanding- Diluted	58,590,270	24,219,866
income (loss) per share- basic	\$ 0.08	\$ (0.04)
income (loss) per share- diluted	\$ 0.07	\$ (0.04)

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

TD HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in U.S. dollars, except for the number of shares)

	Common stock		Additional paid-in capital	Statutory surplus reserve	Accumulated deficit	Accumulated other comprehensive income (loss)	Non- controlling interest	Total Equity
	Shares	Amount						
Balance as of December 31, 2020	15,826,241	\$ 15,826	\$ 151,470,558	\$ 913,292	\$ (39,255,945)	\$ 6,885,495	\$ -	\$ 120,029,226
Issuance of common stocks in connection with private placements	10,000,000	10,000	62,290,000	-	-	-	-	62,300,000
Issuance of common stocks pursuant to exercise of warrants	311,778	312	1,447,013	-	(1,439,825)	-	-	7,500
Issuance of common stocks pursuant to registered direct offering	270,694	271	2,192,716	-	-	-	-	2,192,987
Share-based payment for service	28,000	28	1,836,414	-	-	-	-	1,836,442
Issuance of common stocks pursuant to exercise of convertible promissory notes	1,198,117	1,198	3,681,997	-	-	-	-	3,683,195
Beneficial conversion feature relating to issuance of convertible promissory notes	-	-	1,982,250	-	-	-	-	1,982,250
Appropriation of statutory reserve	-	-	-	564,476	(564,476)	-	-	-
Net income	-	-	-	-	(940,357)	-	-	(940,357)
Foreign currency translation adjustments	-	-	-	-	-	4,781,112	-	4,781,112
Balance as of December 31, 2021	27,634,830	\$ 27,635	\$ 224,900,948	\$ 1,477,768	\$ (42,200,603)	\$ 11,666,607	\$ -	\$ 195,872,355
Issuance of common stocks in connection with private placements	74,420,000	74,420	114,345,580	-	-	-	-	114,420,000
Issuance of common stocks pursuant to exercise of warrants	4,687,287	4,687	4,136,464	-	-	-	-	4,141,151
Beneficial conversion feature relating to issuance of convertible promissory notes	-	-	913,000	-	-	-	-	913,000
Appropriation of statutory reserve	-	-	-	1,124,899	(1,124,899)	-	-	-
Net income	-	-	-	-	4,525,127	-	(271,590)	4,253,537
Foreign currency translation adjustments	-	-	-	-	-	(20,651,532)	-	(20,651,532)
Acquisition of Tongdao Internet	-	-	-	-	-	-	(974,342)	(974,342)
Balance as of December 31, 2022	106,742,117	\$ 106,742	\$ 344,295,992	\$ 2,602,667	\$ (38,800,375)	\$ (8,984,925)	\$ (1,245,932)	\$ 297,974,169

* Retrospectively restated due to five for one Reverse Stock Split, see Note 13 - Reverse stock split of common stock.

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

TD HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended **December 31, 2022**, December 31, 2023 and **2021** 2022
(Expressed in U.S. dollar)

	For the Years Ended		For the Years Ended	
	December 31,		December 31,	
	2022	2021	2023	2022
Cash Flows from Operating Activities:				
Net income (loss)	\$ 4,253,537	\$ (940,357)		
Net (loss) income			\$ (2,266,325)	\$ 4,253,537
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation of plant and equipment	2,885	622	8,624	2,885
Amortization of right-of-use lease assets	306,546	45,309	110,959	306,546
(Gain) loss on disposal of right-of-use lease assets	(20,092)	-		
Gain on disposal of right-of-use lease assets			-	(20,092)
Amortization of intangible assets	4,630,169	3,927,961	7,967,272	4,630,169
Amortization of beneficial conversion feature of convertible promissory notes	1,212,617	489,000	1,059,198	1,212,617
Interest expense for convertible promissory notes	465,201	417,784	517,498	465,201
Amortization of discount on convertible promissory notes	434,333	-	350,000	434,333
Share-based payment for service	44,000	1,836,442	-	44,000
Standstill fee relating to convertible promissory notes	-	356,934		
Monitoring fee relating to convertible promissory notes	263,982	-	-	263,982
Amortization of beneficial conversion feature relating to issuance of convertible promissory notes	-	1,463,883		
Inventories impairment	17,540	-	-	17,540
Deferred tax liabilities	(792,114)	(825,945)	(756,076)	(792,114)
Changes in operating assets and liabilities, (net of assets and liabilities acquired and disposed):				
Other current assets	1,830,247	5,558,942	(1,971,249)	1,830,247
Inventories	(491,943)	-	191,686	(491,943)
Prepayments	(456,052)	-	(2,669,689)	(456,052)
Due from related parties	(15,986)	(496,242)	(1,893,727)	(15,986)
Advances from customers	(4,497,189)	(4,170,261)	2,673,934	(4,497,189)
Due from third parties	(192,670)	(2,619,091)	247,323	(192,670)
Income tax payable	4,046,672	2,808,268	4,771,096	4,046,672
Due to related parties	(20,071)	(5,516,085)	-	(20,071)
Accounts payable	(3,162,561)	3,299,002	(1,254)	(3,162,561)
Other current liabilities	(3,507,517)	1,039,735	1,295,505	(3,507,517)
Lease liabilities	(41,152)	886,866	(111,100)	(41,152)
Due to third party loans payable	24,977	471,243	23,841	24,977
Net cash provided by operating activities	4,335,359	8,034,010	9,547,516	4,335,359
Cash Flows from Investing Activities:				
Purchases of intangible assets	-	(5,115,803)	-	-
Purchases of plant and equipment	(6,700)	(3,469)	(34,576)	(6,700)
Purchases of operating lease assets	(250,171)	(923,964)	-	(250,171)
Investment in subsidiary, net of cash acquired	(96,638,468)	(15,579,946)	-	(96,638,468)
Payment made on loans to third parties	(109,106,926)	(108,800,053)	(136,181,479)	(109,106,926)
Collection of loans from third parties	70,150,111	13,504,542	36,028,836	70,150,111
Collection of loans from related parties	10,448,662	45,397,738	-	10,448,662
Investments in other investing activities	(134,254)	-	100,520	(134,254)
Net cash used in investing activities	(125,537,746)	(71,520,955)	(100,086,699)	(125,537,746)
Cash Flows from Financing Activities:				

Repayments made on loans to third parties	(29,735)	(558,088)		
Repayment made on loans to related parties	-	(1,901,724)		
Proceeds (Repayments made) on loans to third parties			69,678	(29,735)
Proceeds from issuance of common stock under ATM transaction	-	2,192,989	559,073	-
Proceeds from issuance of common stock under private placement transactions	114,420,000	57,877,941	83,500,000	114,420,000
Proceeds from issuance of convertible promissory notes	3,000,000	6,500,000	3,000,000	3,000,000
Proceeds from exercise of warrants	-	7,500		
Proceeds from issuance of common stock under employee share options			5,688,000	-
Net cash provided by financing activities	117,390,265	64,118,618	92,816,751	117,390,265
Effect of Exchange Rate Changes on Cash	394,111	979,382	(1,654,267)	394,111
Net (Decrease)/Increase in Cash	(3,418,011)	1,611,055		
Cash, Beginning of Year	4,311,068	2,700,013		
Cash from continuing operations	\$ 893,057	\$ 4,311,068		
Net Increase/(Decrease) in Cash			623,301	(3,418,011)
Cash at the beginning of Year			893,057	4,311,068
Cash at the end of year			\$ 1,516,358	\$ 893,057
Cash paid for interest expense	\$ 83,496	\$ 92,062	\$ 24,765	\$ 83,496
Cash paid for income taxes	\$ 1,681	\$ 75,416	\$ 36	\$ 1,681
Supplemental disclosure of non-cash investing and financing activities				
Right-of-use assets obtained in exchange for operating lease obligations	\$ 250,171	\$ -	\$ 6,358	\$ 250,171
Issuance of common stocks in connection with conversion of convertible promissory notes	\$ 4,730,150	\$ -	\$ 4,850,214	\$ 4,730,150
Issuance of common stocks in exchange of investments in one equity investee	\$ -	\$ 1,439,826		

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

TD BAIYU HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS DESCRIPTION

BAIYU Holding, Inc. is a Delaware corporation, incorporated under the laws of the state of Delaware.

On October 19, 2023, the Company has changed the name from TD Holdings, Inc. to BAIYU Holdings, Inc., with market effectiveness on Nasdaq since October 30, 2023.

The Company primarily conducts business through Shanghai Shenzhen Baiyu Jucheng Data Technology Co., Ltd., Shenzhen Qianhai Baiyu Supply Chain Co., Ltd., Hainan Jianchi Supply chain Import and Export Co., Ltd, a subsidiary of the Company, which is engaged in Ltd., and Shenzhen Tongdow Internet Technology Co., Ltd. to offer the commodity trading business and providing supply chain management services to customers in the PRC. Supply chain management services consist of loan recommendation services and commodity product distribution services. The Company incorporated Hainan Jianchi Import and Export Co., Ltd, a subsidiary of Shanghai Jianchi, and Hainan Baiyu Cross-border e-commerce Limited, a subsidiary of Tongdow HK, Hainan Baiyu Cross-border e-commerce Limited, a subsidiary of Tongdow HK, and Yangzhou Baiyu Cross-border e-commerce Limited, a subsidiary of Yangzhou Baiyu VC in 2022.

Name	Background	Ownership
HC High Summit Holding Limited (“HC High BVI” BVI)	A BVI company Incorporated on March 22, 2018 A holding company	100% owned by the Company
TD Internet of Things Technology Company Limited (“TD Internet Technology”) (Formerly Named: Tongdow Block Chain Information Technology Company Limited (“Tongdow Block Chain”) Limited)	A Hong Kong company Incorporated on April 2, 2020 A holding company February 14, 2020	100% owned by HC High BVI
Hainan Baiyu Cross-border E-commerce Co., Ltd. (“Hainan Baiyu”)	A PRC limited liability company Incorporated on March 18, 2021 Registered capital of \$100 million with registered capital of \$0 paid-up	WFOE, 100% owned by Tongdow HK
Zhong Hui Dao Ming Investment Management Limited (“ZHDM HK”)	A Hong Kong company Incorporated on March 28, 2007 June 19, 2002 A holding company	100% owned by HC High BVI
Tongdow E-trading E-trade Limited (“Tongdow HK”)	A Hong Kong company Incorporated on November 25, 2010 A holding company	100% owned by HC High BVI
Shanghai Jianchi Supply Chain Company Limited Co., Ltd. (“Shanghai Jianchi”)	A PRC company and deemed a wholly foreign owned enterprise (“WFOE”) Incorporated on April 2, 2020 Registered capital of \$10 million A holding company	WFOE, 100% owned by Tongdow Block Chain TD Internet Technology
Tongdow Hainan Digital (Hainan) Data Technology Co., Ltd. (“Tondow Hainan”)	A PRC limited liability company Incorporated on July 16, 2020 Registered capital of \$1,417,736 (RMB10 million) Engaged in commodity trading business and providing supply chain management services to customers (RMB 10 million)	A wholly owned subsidiary of Shanghai Jianchi
Shenzhen Baiyu Jucheng Data Techonology Hainan Jianchi Import and Export Co., Ltd Ltd. (“Shenzhen Baiyu Jucheng” Hainan Jianchi”)	A PRC limited liability company Incorporated on December 30, 2013 December 21, 2020 Registered capital of \$1,417,736 (RMB10 million) with registered capital fully paid-up Engaged in commodity trading business and providing supply chain management services to customers	VIE of Hao Limo Technology (Beijing) Co., Ltd. before June 25, 2020, and a wholly owned subsidiary of Shanghai Jianchi
Shenzhen Qianhai Baiyu Supply Chain Co., Ltd. (“Qianhai Baiyu”)	A PRC limited liability company Incorporated on August 17, 2016 Registered capital of \$4,523,857 (RMB30 \$7,632,772 (RMB50 million) with registered capital of \$736,506 (RMB5 million) \$0 (RMB0) paid-up Engaged in commodity trading business and providing supply chain management services to customers	A wholly owned subsidiary of Shenzhen Baiyu Jucheng
Shenzhen Tongdow Internet Technology Co., Ltd. (“Shenzhen Tongdow”)	A PRC limited liability company Incorporated on November 11, 2014 Registered capital of \$1,628,320 (RMB10 million) with registered capital of \$1,628,320 (RMB10 million) paid-up Engaged in commodity trading business and providing supply chain management services to customers	65% owned by Shenzhen Baiyu Jucheng
Zhejiang Baiyu Lightweight New Material Co., Ltd. (“Zhejiang Baiyu”)	A PRC limited liability company Incorporated on August 5, 2022 Registered capital of \$1,483,569 (RMB10 million) Engaged in commodity trading business and providing supply chain management services to customers	100% owned by Yangzhou Baiyu Shanghai Jianchi

1. ORGANIZATION AND BUSINESS DESCRIPTION (CONTINUED)

Name	Background	Ownership
Shenzhen Baiyu Jucheng Data Technology Co.,Ltd. ("Shenzhen Baiyu Jucheng")	A PRC limited liability company Incorporated on December 30, 2013 Registered capital of \$1,417,736 (RMB 10 million) with registered capital fully paid- up	VIE of Hao Limo Technology (Beijing) Co., Ltd. before June 25, 2020, and a wholly owned subsidiary of Shanghai Jianchi
Shenzhen Qianhai Baiyu Supply Chain Co., Ltd. ("Qianhai Baiyu")	A PRC limited liability company Incorporated on August 17, 2016 Registered capital of \$4,523,857 (RMB 30 million) with registered capital of \$736,506 (RMB 5 million) paid-up	A wholly owned subsidiary of Shenzhen Baiyu Jucheng
Shenzhen Tongdow Internet Technology Co., Ltd. ("Shenzhen Tongdow")	A PRC limited liability company Incorporated on November 11, 2014 Registered capital of \$1,628,320 (RMB10 million) with registered capital of \$1,628,320 (RMB10 million) paid-up	VIE of Shenzhen Baiyu Jucheng
Yangzhou Baiyu Venture Capital Co. Ltd. ("Yangzhou Baiyu Venture")	A PRC limited liability company Incorporated on April 19, 2021 Registered capital of \$30 million with registered capital of \$7 million paid-up	WFOE, 100% owned by Tongdow HK
Yangzhou Baiyu Cross-broder E-commerce Co., Ltd. ("Yangzhou Baiyu E-commerce")	A PRC limited liability company Incorporated on May 14, 2021 Registered capital of \$30 million (RMB200 million) with registered capital of \$7 million (RMB48 million) paid-up	100% owned by Yangzhou Baiyu Venture
Zhejiang Baiyu Lightweight New Material Co., Ltd. ("Zhejiang Baiyu")	A PRC limited liability company Incorporated on August 5, 2022 Registered capital of \$1,483,569 (RMB10 million)	100% owned by Yangzhou Baiyu E-commerce
Baiyu International Supply Chain PTE.LTD	A Singapore company Incorporated on Jun 28, 2023	100% owned by HC High BVI

1. ORGANIZATION AND BUSINESS DESCRIPTION (CONTINUED)

The following diagram illustrates our corporate structure as of the **December 31, 2022** **December 31, 2023**.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation.

Business combination

The Company accounted for its business combination using the acquisition method of accounting in accordance with ASC 805 “Business Combinations”. The cost of an acquisition is measured as the aggregate of the acquisition date fair values of the assets transferred and liabilities incurred by the Company to the sellers and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the acquisition date amounts of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statements. During the measurement period, which can be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Subsequent to the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any further adjustments are recorded in the consolidated income statements.

In a business combination achieved in stages, the Company re-measures the previously held equity interest in the acquiree immediately before obtaining control at its acquisition date fair value and the re-measurement gain or loss, if any, is recognized in the consolidated income statements.

When there is a change in ownership interests or a change in contractual arrangements that results in a loss of control of a subsidiary, the Company deconsolidates the subsidiary from the date control is lost. Any retained non-controlling investment in the former subsidiary is measured at fair value and is included in the calculation of the gain or loss upon deconsolidation of the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Company.

The consideration transferred for the acquisition of a subsidiary or business combination comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair value at the acquisition date.

Disposals

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheets. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management reviews these estimates using the currently available information. Changes in facts and circumstances may cause the Company to revise its estimates. Significant accounting estimates reflected in the financial statements include: (i) useful lives and residual value of long-lived assets; (ii) the impairment of long-lived assets and investments; (iii) the valuation allowance of deferred tax assets; (iv) estimates of allowance for doubtful accounts, including loans receivable from third parties and related parties, and (v) contingencies and litigation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Company has adopted ASC Topic 820, Fair Value Measurement and Disclosure, which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. It does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. It establishes a three-level valuation hierarchy of valuation techniques based on observable and unobservable inputs, 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 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

Classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. The carrying value of financial items of the Company, including cash and cash equivalents, loans receivable due from third parties, accounts receivable, due from related parties, bank borrowings, third parties loans payable, other current liabilities and acquisition payable, approximate their fair values due to their short-term nature.

The inputs used to measure the estimated fair value of warrants are classified as Level 3 fair value measurement due to the significance of unobservable inputs using company-specific information. The valuation methodology used to estimate the fair value of warrant liabilities is discussed in Note 9, 13.

Cash and cash equivalents

Cash includes cash on hand and demand deposits in accounts maintained with commercial banks. The Company considers all highly liquid investment instruments with an original maturity of three months or less from the date of purchase to be cash equivalents. The Company maintains most of its bank accounts in the PRC. Cash balances in bank accounts in the PRC are not insured by the Federal Deposit Insurance Corporation or other programs.

Loans receivable from third parties

The Company provided loans to certain third parties for the purpose of making use of its cash.

The Company monitors all loans receivable for delinquency and provides for estimated losses for specific receivables that are not likely to be collected. Management periodically assesses the collectability of these loans receivable. Delinquent account balances are written-off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. As of December 31, 2021, December 31, 2023 and 2020, 2022, the Company did not accrue allowance against loans receivables due from third parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepayments and other current assets, net

Prepayment and other current assets, net, primarily consists of advances to suppliers for purchasing goods and the interest receivables. These advances are unsecured and are reviewed periodically to determine whether their carrying value has become impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories, net

Inventories of the Company are bulk commodities products, such as precious metals. Inventories are stated at the lower of cost or net realizable value. Costs of inventory are determined using the first-in first-out method. Adjustments to reduce the cost of inventories are made, if required, for decreases in sales prices, obsolescence or similar reductions in the estimated net realizable value.

We keep inventory for our direct sales model. Our inventory control policy requires us to monitor our inventory level and to manage obsolete inventory. Risk is passed to our customers (or to delivery service providers) upon the delivery of commodities to our customers. For a substantial majority of precious metal sold through our network, the whole transaction process takes from a few hours to a few days, thus our inventory risk is limited. For a small portion of our transactions under direct sales model, we hold inventories for repeating customers with relatively stable demands of large quantity based on our transaction data. We analyze historical sales data and days in inventory to establish inventory management plans. We monitor our real-time inventory volume and adjust our inventory management plans based on factors such as fluctuations in supply and prices, seasonality, and sales of a particular product.

Plant and equipment, net

Plant and equipment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. The estimated useful lives for significant plant and equipment are 3 years.

Expenditures for maintenance and repairs, which do not materially extend the useful lives of the assets, are charged to expense as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized.

Intangible assets

The Company's intangible assets consist of customer relationships and software copyright, the customer relationships are generally recorded in connection with acquisitions at their fair value and the software copyrights are purchased in March 2021 and recorded in connection with Shenzhen Tongdow Internet Technology acquisition. Intangible assets with estimable lives are amortized, generally on a straight-line basis, over their respective estimated useful lives of 6.2 years for customer relationships, and 6.83 years for one software copyright purchased in March 2021 and 10 years for other software copyrights recorded in connection with Shenzhen Tongdow Internet Technology acquisition, to their estimated residual values and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill

Goodwill represents the excess of the consideration paid of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortized and is tested for impairment at least annually, more often when circumstances indicate impairment may have occurred. Goodwill is carried at cost less accumulated impairment losses. If impairment exists, goodwill is immediately written off to its fair value and the loss is recognized in the consolidated statements of operations and comprehensive loss. Impairment losses on goodwill are not reversed.

The Company reviews the carrying value of intangible assets not subject to amortization, including goodwill, to determine whether impairment may exist annually or more frequently if events and circumstances indicate that it is more likely than not that an impairment has occurred. The Company has the opinion to assess qualitative factors to determine whether it is necessary to perform the two-step in accordance with ASC 350-20. If the Company believes, as a result of the qualitative carrying amount, the two-step impairment test described below is required.

The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required.

If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business acquisition with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being a discounted cash flow. The fair value of discounted cash flow was determined using management's estimates and assumptions.

For the year ended **December 31, 2022** **December 31, 2023**, the Company did not record an impairment loss against goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets other than goodwill

Long-lived assets, including intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be recoverable. The Company assesses the recoverability of the assets based on the undiscounted future cash flows the assets are expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. If an impairment is identified, the Company would reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values.

For the year ended **December 31, 2022** **December 31, 2023**, the Company did not record an impairment loss against intangible assets.

Operating lease as a lessee

The Company adopted ASU 2016-02, Leases (Topic 842), on January 1, 2019, using a modified retrospective approach reflecting the application of the standard to leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements.

The Company leases its offices which are classified as operating leases in accordance with Topic 842. Under Topic 842, lessees are required to recognize the following for all leases (with the exception of short-term leases) on the commencement date: (i) lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

At the commencement date, the Company recognizes the lease liability at the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate for the same term as the underlying lease. The right-of-use asset is recognized initially at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease incentives received. All right-of-use assets are reviewed for impairment.

Account and other payables

Account and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Account and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Bank borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the financial year end date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using effective interest method.

Borrowing costs are recognised in profit or loss using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Commitments and contingencies

In the normal course of business, the Company is subject to contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters. Liabilities for the contingencies are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses these contingent liabilities, which inherently involves judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in legal proceedings, the Company, in consultation with its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of the reasonably possible loss, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

Statutory reserves

In accordance with the relevant regulations and their articles of association, subsidiaries of the Company incorporated in the PRC are required to allocate at least 10% of their after-tax profit determined based on the PRC accounting standards and regulations to the general reserve until the reserve has reached 50% of the relevant subsidiary's registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. These reserves can only be used for specific purposes and are not transferable to the Company in the form of loans, advances or cash dividends.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

Related parties

The Company follows subtopic 850-10 of the FASB ASC for the identification of related parties and disclosure of related party transactions. Pursuant to Section 850-10-20, related parties include: (a) affiliates of the Company; (b) entities for which investments in their equity securities would be required, absent the election of the FV option under the FV Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; (c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (d) principal owners of the Company; (e) management of the Company; (f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and (g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Company generates revenue associated with commodity trading and revenue associated with supply chain management services are accounted for in accordance with ASC 606.

ASC 606 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. This new guidance provides a five-step analysis in determining when and how revenue is recognized. Under the new guidance, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the new guidance requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Revenue from sales of commodity products

In December 2019, the Company started its commodity trading business through its subsidiary Shenzhen Huamucheng Trading Co., Ltd, which was renamed Shenzhen Baiyu Jucheng Data Technology Co., Ltd ("Shenzhen Baiyu Jucheng") in 2021. The commodity trading business primarily involves purchasing non-ferrous metal product (such as aluminum ingots, copper, silver, and gold) from metal and mineral suppliers and then selling to customers. The Company makes advance payments to suppliers to purchase the metal products, requests suppliers to ship products to designated warehouse. Upon obtaining purchase orders and receipt of full advance payments from customers, the Company instructs warehouse agent to transfer ownership of products to customers. The transaction is normally completed within a short period of time, ranging from a few days to a month.

The Company's contracts with customers for metal commodity trading are fixed-price contracts. The Company does not grant customers with incentives or return rights, and therefore, there is no variable considerations derived from the contracts. The Company acts as the principal because the Company is responsible for fulfilling the promise to provide the specified metal products to customers, is subject to inventory risk before the product ownership and risk are transferred and has the discretion in establishing prices. As a result, revenue is recognized on a gross basis. The Company recognizes revenue when the product ownership is transferred to its customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is made.

Revenue from supply chain management services

In connection with the Company's commodity sales, in order to help customers to obtain sufficient funds to purchase various metal products and also help metal and mineral suppliers to sell their metal products, the Company launched its supply chain management service business as defined below:

Loan recommendation service fees

The Company recommends customers who have financing need for commodity trading to various financial institutions and assist these customers to obtain loans from the financial institutions. The Company's services include conducting customer screening and credit check, matching customer with right financial institution and assisting in customer's applications and related paperwork etc. The Company receives a referral fee from the customers if funding is secured. Such revenue is recognized at the point when referral services are performed and the related funds are drawdown by customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Commodity distribution service fees

The Company utilizes its sales and marketing expertise and customer network to introduce customers to large metal and mineral suppliers, and facilitate metal product sales between the suppliers and the customers. The Company merely acts as an agent in this type of transaction and earns a commission fee based on the percentage of volume of metal products that customers purchase. Distribution service fees are recognized as revenue when the Company successfully facilitates sales transactions between suppliers and customers. For the year ended **December 31, 2022** **December 31, 2023**, the Company earned commodity distribution commission fees of **\$1,391,903** **\$67,981** from third party vendors compared with **\$3,180,227** **\$1,391,903** for the year ended **December 31, 2021** **December 31, 2022**.

Contract liabilities

The supply chain management service fees are collected either in advance to provision of services or after the services. In cases where fees are collected in advance, the fees are recorded as “advances from customers” in the consolidated balance sheets. Advance from customers is recognized as revenue when the Company delivers the supply chain management services to its customers.

Cost of revenue

Cost of revenue consists primarily of cost of inventories, logistics costs, expenses associated with the operation of the Company’s staff costs and other related incidental expenses that are directly attributable to the Company’s principal operations.

Beneficial conversion feature

The Company evaluates the conversion feature to determine whether it was beneficial as described in ASC 470-20. The intrinsic value of a beneficial conversion feature inherent to a convertible note payable, which is not bifurcated and accounted for separately from the convertible notes payable and may not be settled in cash upon conversion, is treated as a discount to the convertible notes payable. This discount is amortized over the period from the date of issuance to the date the notes is due using the effective interest method. If the notes payable are retired prior to the end of their contractual term, the unamortized discount is expensed in the period of retirement to interest expense. In general, the beneficial conversion feature is measured by comparing the effective conversion price, after considering the relative fair value of detachable instruments included in the financing transaction, if any, to the fair value of the shares of common stock at the commitment date to be received upon conversion.

Debt issuance costs and debt discounts

The Company may record debt issuance costs and/or debt discounts in connection with raising funds through the issuance of debt. These costs may be paid in the form of cash, or equity (such as warrants). These costs are amortized to interest expense through the maturity of the debt. If a conversion of the underlying debt occurs prior to maturity a proportionate share of the unamortized amounts is immediately expensed.

Convertible promissory notes

Convertible promissory notes are recognized initially at fair value, net of upfront fees, debt discounts or premiums, debt issuance costs and other incidental fees. Upfront fees, debt discounts or premiums, debt issuance costs and other incidental fees are recorded as a reduction of the proceeds received and the related accretion is recorded as interest expense in the consolidated income statements over the estimated term of the facilities using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Value added tax

The Company is generally subject to the value added tax (“VAT”) for selling sales of commodity products. and. Before May 1, 2018, the applicable VAT rate was 13% for selling sales of commodity products and 6% for supply chain management service, loan recommendation service and commodity distribution service. The amount of VAT liability is determined by applying the applicable tax rate to the invoiced amount of goods sold or services provided (output VAT) less VAT paid on purchases made with the relevant supporting invoices (input VAT). Under the commercial practice of PRC, the Company pays VAT based on tax invoices issued. The tax invoices may be issued subsequent to the date on which revenue is recognized, and there may be a considerable delay between the date on which the revenue is recognized and the date on which the tax invoice is issued. In the event the PRC tax authorities dispute the date on which revenue is recognized for tax purposes, the PRC tax authorities have the right to assess a penalty based on the amount of taxes which is determined to be late or deficient, with any penalty being expensed in the period when a determination is made by the tax authorities that a penalty is due. During the reporting periods, the Company had no dispute with PRC tax authorities and there was no tax penalty incurred.

Income taxes

The Company accounts for income taxes in accordance with the U.S. GAAP for income taxes. Under the asset and liability method as required by this accounting standard, the recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between the income tax basis and financial reporting basis of assets and liabilities. Provision for income taxes consists of taxes currently due plus deferred taxes.

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis. Deferred tax assets are recognized to the extent that it is probable that taxable income to be utilized with prior net operating loss carried forward. Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. The Company did not have unrecognized uncertain tax position or any unrecognized liabilities, interest or penalties associated with unrecognized tax benefit as of **December 31, 2022**, **December 31, 2023** and **2021, 2022**. As of **December 31, 2022**, **December 31, 2023**, all of the Company’s income tax returns for the tax years ended **December 31, 2017**, **December 31, 2018** through **December 31, 2021**, **December 31, 2022** remain open for statutory examination by relevant tax authorities.

Loss per share

Basic loss per share is computed by dividing the net loss income by the weighted average number of common shares outstanding during the period. Diluted loss income per share is the same as basic loss income per share due to the lack of dilutive items in the Company. The number of warrants is excluded from the computation because of its anti-dilutive effect.

Share-based compensation

Share-based compensation granted to the Company’s senior management and nonemployees are measured at fair value on grant date and share-based compensation expense is recognized (i) immediately at the grant date if no vesting conditions are required, or (ii) using the accelerated attribution method, net of estimated forfeitures, over the requisite service period. The fair value of restricted shares is determined with reference to the fair value of the underlying shares.

At each date of measurement, the Company reviews internal and external sources of information to assist in the estimation of various attributes to determine the fair value of the share-based awards granted by the Company, including but not limited to the fair value of the underlying shares, expected life, expected volatility and expected forfeiture rates. The Company is required to consider many factors and make certain assumptions during this assessment. If any of the assumptions used to determine the fair value of the share-based compensation changes significantly, share-based compensation expense may differ materially in the future from that recorded in the current reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discontinued operation

In accordance with ASC 205-20, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, a disposal of a component of an entity or a group of components of an entity is required to be reported as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the components of an entity meets the criteria in paragraph 205-20-45-1E to be classified as held for sale. When all of the criteria to be classified as held for sale are met, including management, having the authority to approve the action, commits to a plan to sell the entity, the major current assets, other assets, current liabilities, and non-current liabilities shall be reported as components of total assets and liabilities separate from those balances of the continuing operations. At the same time, the results of all discontinued operations, less applicable income taxes (benefit), shall be reported as components of net income (loss) separate from the net income (loss) of continuing operations in accordance with ASC 205-20-45.

Foreign currency translation

The Company's financial information is presented in U.S. dollars ("USD"). The functional currency of the Company is the Chinese Yuan Renminbi ("RMB"), the currency of PRC. Any transactions which are denominated in currencies other than RMB are translated into RMB at the exchange rate quoted by the People's Bank of China prevailing at the dates of the transactions, and exchange gains and losses are included in the statements of operations as foreign currency transaction gain or loss. The consolidated financial statements of the Company have been translated into U.S. dollars in accordance with ASC 830, Foreign Currency Matters. The financial information is first prepared in RMB and then translated into U.S. dollars at period-end exchange rates for assets and liabilities and average exchange rates for revenue and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred. The effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income (loss) in stockholders' equity. Cash flows from the Company's operations are calculated based upon the local currencies using the average translation rate. As a result, amounts related to assets and liabilities reported on the statements of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheets.

Segment reporting

The Company had two operating business lines, business with metal products trading and supply chain management services business conducted by Shenzhen Baiyu Jucheng ("Commodity Trading and Supply Chain Management Services"). The accounting policies of our one reportable segment are the same as those described in this Note 2.

Reclassification

Reclassification

Certain items in the financial statements of comparative period have been reclassified to conform to the financial statements for the current period, primarily for the effects of discontinued operations.

Recent accounting pronouncement

In June 2016, October 2021, the FASB issued ASU No. 2016-13 ("ASU 2016-13") "Financial Instruments - Credit Losses" ("ASC 326") 2021-08, Business Combinations (Topic 805): Measurement Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08), which clarifies that an acquirer of Credit Losses on Financial Instruments" which requires the measurement a business should recognize and recognition of expected credit losses measure contract assets and contract liabilities in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The new amendments are effective 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 December 15, 2023, including interim periods within those fiscal years, for public entities which meet years. The amendments should be applied prospectively to business combinations occurring on or after the definition effective date of a smaller reporting company, the amendments, with early adoption permitted. The Company will adopt ASU 2016-13 effective January 1, 2023. Management Group is currently evaluating the effect impact of the adoption of ASU 2016-13 new guidance 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 January 2017, June 2022, the FASB issued ASU 2017-04, "Intangibles — Goodwill 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions", which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, Other (Topic 350): Simplifying the Test therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for Goodwill Impairment," which simplifies how an entity equity securities subject to contractual sale restrictions. The new guidance is required to test goodwill for impairment by eliminating step two be applied prospectively with any adjustments from the goodwill impairment test. Step two adoption of the goodwill impairment test measures a goodwill impairment loss by comparing amendments recognized in earnings and disclosed on the implied fair value date of a reporting unit's goodwill with its carrying amount. As amended by ASU 2019-10, annual or interim goodwill impairment tests are performed in adoption. This guidance is effective for fiscal years beginning after December 15, 2022. We do 15 December 2023, including interim periods within those fiscal years. Early adoption is permitted. The Group does not expect that the adoption of this guidance will have a material impact on our the financial position, results of operations and cash flows.

In August 2020, September 2023, the FASB issued ASU No. 2020-06 ("ASU 2020-06") "Debt—Debt with Conversion 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The Board is issuing the amendments in this Update to enhance the transparency and Other Options (Subtopic 470-20) decision usefulness of income tax disclosures. Investors currently rely on the rate reconciliation table and Derivatives other disclosures, including total income taxes paid, to evaluate income tax risks and Hedging—Contracts opportunities. While investors find these disclosures helpful, they suggested possible enhancements to better (1) understand an entity's exposure to potential changes in Entity's Own Equity (Subtopic 815-40): Accounting jurisdictional tax legislation and the ensuing risks and opportunities, (2) assess income tax information that affects cash flow forecasts and capital allocation decisions, and (3) identify potential opportunities to increase future cash flows. The Board decided that the amendments should be effective for Convertible Instruments and Contracts in an Entity's Own Equity." ASU 2020-06 will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. For public business entities the amendments in ASU 2020-06 are effective for public entities which meet the definition of a smaller reporting company are effective for fiscal years, and interim annual periods within those fiscal years, beginning after December 15, 2023 December 15, 2024. The Company will adopt ASU 2020-06 effective January 1, 2024. Management is currently evaluating the effect of the adoption of ASU 2020-06 on the consolidated financial statements. The effect will largely depend on the composition and terms of the financial instruments at the time of adoption.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its consolidated financial condition, results of operations, cash flows or disclosures.

3. SIGNIFICANT ACQUISITIONS

1) ACQUISITION OF SHENZHEN TONGDOW INTERNET TECHNOLOGY CO., LTD.

On October 17, 2022, Shenzhen Baiyu Jucheng, entered into a set of variable interest entity agreements with Shenzhen Tongdow Internet Technology Co., Ltd. (“Tongdow Internet Technology”) and Shanghai Zhuotaitong Industry Co., Ltd., the sole shareholder of Tongdow Internet Technology. On October 25, 2022, the parties completed the transaction. Upon the closing of the transaction, Shenzhen Baiyu Jucheng acquired 65% equity interest of Tongdow Internet Technology at a consideration of RMB650 million and has effective control over Tongdow Internet Technology’s management and operations. On the same date, Shenzhen Baiyu Jucheng fully repaid to Shanghai Zhuotaitong Industry Co., Ltd.

The transaction was accounted for as a business combination using the purchase method of accounting in accordance with ASC 805-10-20. The purchase price allocation of the transaction was determined by the Company with the assistance of an independent appraisal firm based on the fair value of the assets acquired and liabilities assumed as of the acquisition date.

The following table presents the purchase price allocation to assets acquired and liabilities assumed for Shenzhen Tongdow Internet Technology Co., Ltd. as of the acquisition date:

	As of October 25, 2022
Cash and cash equivalents	\$ 666
Other current assets	1,662,824
Intangible assets (software copyrights)	38,022,548
Other current liabilities	(42,469,872)
Non-controlling interest	974,342
Goodwill (Note 7)	92,505,479
Total purchase consideration	\$ 90,695,987

Changes in the carrying amount of goodwill for the year ended **December 31, 2022** **December 31, 2023** consisted of the following:

	As of December 31, 2021	As of December 31, 2023
Beginning balance	\$ 92,505,479	\$ 95,191,148
Addition by the changes of foreign currency exchange rate	2,685,669	(1,587,258)
Goodwill (Note 7)	\$ 95,191,148	\$ 93,603,890

The intangible assets mainly include are software copyrights purchased. Intangible assets with estimable service life are usually amortized by the straight-line method according to their estimated residual value within the estimated service life of 10 years. Amortization expenses of **\$743,373** **\$4,257,312** related to the customers relationship was recorded for the year ended **December 31, 2022** **December 31, 2023**. Estimated amortization expense related to the intangible assets for each of the years subsequent to **December 31, 2022** **December 31, 2023** is as follows:

For the year ended December 31, 2022	Amortization expenses	
2023	\$ 4,460,237	
For the year ended December 31, 2023	Amortization expenses	
2024	4,460,237	\$ 4,235,673
2025	4,460,237	4,235,673
2026	4,460,237	4,235,673
2027 and thereafter	21,929,498	
2027		4,235,673
2028 and thereafter		16,589,718
	\$ 39,770,446	\$ 33,532,410

The goodwill of \$92.51 million arising from the acquisition consists largely of the synergies and economics of scales expected from combining the commodity trading business of both Huamucheng and Tongdow Internet Technology. The goodwill from the acquisition represents future economic benefits that we expect to achieve as a result of the acquisition. The goodwill is not expected to be deductible for tax purposes for the acquisition. Goodwill will not be amortized but instead will be tested for impairment

at least annually and more frequent if certain indicators of impairment are present. As of **December 31, 2022**, **December 31, 2023** and **2022**, the Company did not note indicators of impairment and did not record an impairment against goodwill.

3. SIGNIFICANT ACQUISITIONS (CONTINUED)

Deferred tax liabilities arose from the temporary difference of intangible assets acquired from the acquisition.

The amounts of revenue and net loss of Tongdow Internet Technology included in the Company's consolidated statement of income and other comprehensive income (loss) from the acquisition date to December 31, 2022 are as follows:

	From acquisition date to December 31, 2022
Net revenue	\$ -
Net income	\$ (775,970)

The following table presents the Company's unaudited pro forma results for the years ended December 31, 2022 and 2021, respectively, as if the Tongdow Internet Technology was acquired on January 1, 2021. The unaudited pro forma financial information presented includes the effects of adjustments related to the amortization of acquired intangible assets, and excludes other non-recurring transaction costs directly associated with the acquisition such as legal and other professional service fees. Statutory rates were used to calculate income taxes.

	For the years ended December 31,	
	2022	2021
Pro forma revenue	\$ 156,857,770	\$ 201,134,242
Pro forma net income (loss)	\$ 363,259 ⁽¹⁾	(1,432,213) ⁽¹⁾
Pro forma net income (loss) attributable to TD Holdings, Inc.	\$ 1,996,447 ⁽¹⁾	(1,260,063) ⁽¹⁾
Pro forma income (loss) per share - basic	\$ 0.01	\$ (0.07)
Pro forma income (loss) per share - diluted	0.01	(0.06)
Weighted average shares - basic	52,972,727	21,483,527
Weighted average shares - diluted	58,590,270	24,219,866

(1) Includes intangibles asset amortization expense of \$4,460,237 and \$387,561 for the years ended December 31, 2022 and 2021, respectively.

2) ACQUISITION OF QIANHAI BAIYU

As of December 31, 2019, Qianhai Baiyu was identified as a related party of the Company, as Qianhai Biayu was controlled by Mr. Zhiping Chen, the legal representative of Huamucheng before March 31, 2020. On March 31, 2020, Mr. Zhiping Cheng transferred its equity interest in Qianhai Baiyu to Shenzhen Xinsuniao, and Qianhai Baiyu became a third party to the Company.

On October 26, 2020, the Company, through Huamucheng, entered into certain share purchase agreements (the "SPA") with Shenzhen Xinsuniao, to acquire 100% equity interest of Qianhai Baiyu, which is primarily engaged in sales of commodity products and provision of supply chain management services in the PRC.

On the same date, the Company closed acquisition of Qianhai Baiyu for an aggregated cash consideration of RMB670 million (approximately \$102.6 million), of which 85% was paid before December 25, 2020 and the remaining 15% or \$15.4 million, which was recorded in the account of "acquisition payable", will be paid in installments on or before December 25, 2021.

The transaction was accounted for as a business combination using the purchase method of accounting in accordance with ASC 805-10-20. The purchase price allocation of the transaction was determined by the Company with the assistance of an independent appraisal firm based on the fair value of the assets acquired and liabilities assumed as of the acquisition date.

3. SIGNIFICANT ACQUISITIONS (CONTINUED)

The following table presents the purchase price allocation to assets acquired and liabilities assumed for Qianhai Baiyu as of the acquisition date:

	As of October 26, 2020	As of October 26, 2020
Cash and cash equivalents	\$ 287,129	\$ 287,129
Inventories	406,503	406,503
Prepayments	27,917,158	27,917,158
Other current assets	374,300	374,300
Intangible assets (customer relationship)	20,117,564	20,117,564
Bank borrowings	(1,653,247)	(1,653,247)
Advances from customers	(2,302,998)	(2,302,998)
Taxes payable	(4,173,333)	(4,173,333)
Other current liabilities	(2,703,477)	(2,703,477)
Deferred tax liabilities	(5,029,391)	(5,029,391)
Goodwill (Note 7)	69,322,325	69,322,325
Goodwill		69,322,325
Total purchase consideration	\$ 102,562,533	\$ 102,562,533

Changes in the carrying amount of goodwill for the year ended **December 31, 2022** **December 31, 2023** consisted of the following:

	As of December 31, 2022	As of December 31, 2023
Beginning balance as of October 26, 2020	\$ 69,322,325	\$ 65,022,402
Addition by the changes of foreign currency exchange rate	(4,299,923)	(1,084,211)
Goodwill (Note 7)	\$ 65,022,402	\$ 63,938,191

The intangible assets mainly include customer relationship of \$20.1 million, with definite lives of 6.2 years. Amortization expenses of **\$3,059,953** **\$ 3,024,302** related to the customers relationship was recorded for the year ended **December 31, 2022** **December 31, 2023**. Estimated amortization expense related to the intangible assets for each of the years subsequent to **December 31, 2022** **December 31, 2023** is as follows:

For the year ended December 31, 2022	Amortization expenses	
2023	\$	3,059,953
For the year ended December 31, 2023	Amortization expenses	
2024	3,059,953	\$ 3,008,930
2025	3,059,953	3,008,930
2026	3,059,955	3,008,930
2027 and thereafter	-	-
Total:	\$ 12,239,814	\$ 9,026,790

The goodwill of \$69.3 million arising from the acquisition consists largely of the synergies and economics of scales expected from combining the commodity trading business of both Huamucheng and Qianhai Baiyu. The goodwill from the acquisition represents future economic benefits that we expect to achieve as a result of the acquisition. The goodwill is not expected to be deductible for tax purposes for the acquisition. Goodwill will not be amortized but instead will be tested for impairment at least annually and more frequent if certain indicators of impairment are present. As of **December 31, 2022** **December 31, 2023** and **2021, 2022**, the Company did not note indicators of impairment and did not record an impairment against goodwill.

4. LOANS RECEIVABLE FROM THIRD PARTIES

	December 31, 2022	December 31, 2021
Loan receivable from third parties	\$ 143,174,634	\$ 115,301,319
	December 31, 2023	December 31, 2022
Loan receivable from third parties	\$ 240,430,865	\$ 143,174,634

As of ~~December 31, 2022~~ December 31, 2023, the Company has ~~seventeen~~thirteen loan agreements compared with ~~ten~~seventeen loan agreements on ~~December 31, 2021~~ December 31, 2022. The Company provided loans aggregating ~~\$109,106,926~~ \$223,111,724 for the purpose of making use of idle cash and maintaining long-term customer relationship and paid back ~~\$80,598,773~~ \$125,855,493 during the year ended ~~December 31, 2022~~ December 31, 2023. These loans will mature in ~~May 2023~~ April 2024 through November ~~2023~~, 2024, and charges interest rate of 10.95% per annum on these customers. Interest income of ~~\$17,033,228~~ \$20,102,827 and ~~\$10,075,630~~ \$17,033,228 was recognized for years ended ~~December 31, 2022~~ December 31, 2023 and ~~2021~~, 2022. As of ~~December 31, 2022~~ December 31, 2023 and ~~December 31, 2021~~, December 31, 2022, the Company recorded an interest receivable of ~~\$3,337,655~~ \$5,931,541 and ~~\$3,090,353~~ \$3,337,655 as reflected under “other current assets” in the audited condensed consolidated balance sheets. As of ~~December 31, 2022~~ December 31, 2023 and December ~~31, 2021~~ 31, 2022, there was no allowance recorded as the Company considers all of the loan receivable fully collectible.

5. INVENTORIES, NET

The Company's inventories consist of aluminum ingots, etc. that were purchased from third parties for resale to third party. Inventories consisted of the following:

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Aluminum ingots	\$ 475,096	\$ -	\$ 259,806	\$ 475,096
Less: impairment for inventories	(16,939)	-	-	(16,939)
Inventories, net	<u>\$ 458,157</u>	<u>\$ -</u>	<u>\$ 259,806</u>	<u>\$ 458,157</u>

For the years ended **December 31, 2022**, **December 31, 2023** and **2021, 2022**, the Company accrued impairment of **\$16,939** and **\$Nil** and **\$16,939**, respectively for impairment item.

6. PLANT AND EQUIPMENT, NET

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Cost:				
Office equipment	\$ 9,747	\$ 3,499	\$ 43,999	\$ 9,747
Accumulated depreciation:				
Office equipment	\$ (3,377)	\$ (627)	\$ (11,909)	\$ (3,377)
Plant and equipment, net	<u>\$ 6,370</u>	<u>\$ 2,872</u>	<u>\$ 32,090</u>	<u>\$ 6,370</u>

Depreciation expense was \$8,624, and currency translation difference was \$92 for the year ended December 31, 2023.

Depreciation expense was \$2,885, and currency translation difference was \$135 for the year ended December 31, 2022.

Depreciation expense was \$622, and currency translation difference was \$5 for the year ended December 31, 2021.

7. GOODWILL

Changes in the carrying amount of goodwill by segment for the years ended **December 31, 2022**, **December 31, 2023** and **2021, 2022** were as follows:

	Acquisition of Qianhai Baiyu	Acquisition of Tongdow Internet Technology	Total	Acquisition of Qianhai Baiyu	Acquisition of Tongdow Internet Technology	Total
Balance as of December 31, 2020 (i)	\$ 69,322,325	\$ -	\$ 69,322,325			
Additions	-	-	-			
Foreign currency translation adjustments	1,705,958	-	1,705,958			
Balance as of December 31, 2021	<u>\$ 71,028,283</u>	<u>\$ -</u>	<u>\$ 71,028,283</u>			
Balance as of December 31, 2021 (i)				\$ 71,028,283	\$ -	\$ 71,028,283
Additions (ii)	-	92,505,479	92,505,479	-	92,505,479	92,505,479
Foreign currency translation adjustments	(6,005,881)	2,685,669	(3,320,212)	(6,005,881)	2,685,669	(3,320,212)
Balance as of December 31, 2022	<u>\$ 65,022,402</u>	<u>\$ 95,191,148</u>	<u>\$ 160,213,550</u>	<u>\$ 65,022,402</u>	<u>\$ 95,191,148</u>	<u>\$ 160,213,550</u>
Foreign currency translation adjustments				(1,084,211)	(1,587,258)	(2,671,469)
Balance as of December 31, 2023				<u>\$ 63,938,191</u>	<u>\$ 93,603,890</u>	<u>\$ 157,542,081</u>

(i) The goodwill associated with the Baiyu Acquisition was initially recognized at the acquisition closing date on October 26, 2020 (Note 3).

(i) The goodwill associated with the Baiyu Acquisition was initially recognized at the acquisition closing date on October 26, 2020 (Note 3).

(ii) During the year ended December 31, 2022, the goodwill associated with the Tongdow Internet Technology Acquisition was initially recognized at the acquisition closing date on October 17, 2022 (Note 3).

(ii) During the year ended December 31, 2022, the goodwill associated with the Tongdow Internet Technology Acquisition was initially recognized at the acquisition closing date on October 17, 2022 (Note 3).

Based on an assessment of the qualitative factors, management determined that it is more-likely-than-not that the fair value of the reporting unit is in excess of its carrying amount. Therefore, management concluded that it was not necessary to proceed to the two-step goodwill impairment test. No impairment loss or other changes were recorded, except the influence of foreign currency translation for the years ended December 31, 2022, December 31, 2023 and 2021, 2022.

8. INTANGIBLE ASSETS

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Gross carrying amount:				
Customer relationships	\$ 18,869,713	\$ 20,612,639	\$ 18,555,071	\$ 18,869,713
Software copyright	47,813,227	5,175,902	47,015,968	47,813,227
Total	\$ 66,682,940	\$ 25,788,541	\$ 65,571,039	\$ 66,682,940
Accumulative amortization:				
Customer relationships	\$ (6,629,899)	\$ (3,899,688)	\$ (9,528,280)	\$ (6,629,899)
Software copyright	(5,938,314)	(631,516)	(10,757,142)	(5,938,314)
Total	\$ (12,568,213)	\$ (4,531,204)	\$ (20,285,422)	\$ (12,568,213)
Intangible assets, net	\$ 54,114,727	\$ 21,257,337	\$ 45,285,617	\$ 54,114,727

The Company's intangible assets consist of customer relationships and software copyright, the customer relationships are generally recorded in connection with acquisitions at their fair value and the software copyrights are purchased in March 2021 and recorded in connection with Shenzhen Tongdow Internet Technology acquisition. Intangible assets with estimable lives are amortized, generally on a straight-line basis, over their respective estimated useful lives of 6.2 years for customer relationships, and 6.83 years for one software copyright purchased in March 2021 and 10 years for other software copyrights recorded in connection with Shenzhen Tongdow Internet Technology acquisition, to their estimated residual values and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the years ended **December 31, 2022**, **December 31, 2023** and **2021, 2022**, the Company amortized **\$4,630,169**, **\$7,967,272** and **\$3,927,961**, **\$4,630,169** respectively. No impairment loss was made against the intangible assets during the year ended **December 31, 2022**, **December 31, 2023** and **2022**.

The estimated amortization expense for these intangible assets in the next five years and thereafter is as follows:

Period ending December 31, 2022:	Amount	
2023	\$	8,061,192
Period ending December 31, 2023:	Amount	
2024	8,061,192	\$ 7,926,776
2025	8,061,192	7,926,776
2026	8,061,192	7,926,776
2027	4,998,926	4,915,573
2028		4,235,673
Thereafter	16,871,033	12,354,043
Total:	\$ 54,114,727	\$ 45,285,617

9. BANKS BORROWINGS

Bank borrowings represent the amounts due to various banks that are due within one year. As of **December 31, 2021**, **December 31, 2022** and **2022, 2023**, bank loans consisted of the following:

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Short-term bank loans:				
Loan from Bank of Baosheng County Bank	\$ 1,005,083	\$ 1,129,288	\$ 988,324	\$ 1,005,083
Loan from Bank of Communications			69,324	-
Total			\$ 1,057,648	\$ 1,005,083

In August 2021, Qianhai Baiyu entered into two loan agreements with Baosheng County Bank to borrow a total amount of RMB7.2 million as working capital for one year, with the maturity date of August 2022. The two loans bear a fixed interest rate of 7.8% per annum and are guaranteed by Shenzhen Herun Investment Co., Ltd, Li Hongbin and Wang Shuang. The loans were fully repaid in August 2022.

In August 2022, Qianhai Baiyu entered into another five loan agreements with Baosheng County Bank to borrow a total amount of RMB7.0 million as working capital for one year, with the maturity date of August 2023. In August 2023, the company and the bank renewed the contract, extending the borrowing time to August 24. The five loans bear

a fixed interest rate of 7.8% per annum and are guaranteed by Shenzhen Herun Investment Co., Ltd, Li Hongbin and Wang Shuang.

In August 2023, Qianhai Baiyu entered into a loan agreement with the Bank of Communications, borrowing a total of RMB 4.91 million yuan as a one-year working capital, with the maturity date of August 2024. The loan bears a fixed interest rate of 4.15% per annum.

10. LEASES

The Company leases offices space under non-cancelable operating leases, with terms with 38 24 months. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right of use assets and lease liabilities. The amortization of right of use assets for lease payment is recognized on a straight-line basis over the lease term. Leases with initial term of 12 months or less are not recorded on the balance sheet.

The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company discount lease payments based on an estimate of its incremental borrowing rate.

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

Supplemental balance sheet information related to operating lease was as follows:

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Right-of-use lease assets, net	\$ 196,826	\$ 888,978	\$ 83,375	\$ 196,826
Lease Liabilities-current	\$ 116,170	\$ 310,665	\$ 86,691	\$ 116,170
Lease liabilities-non current	84,164	586,620	-	84,164
Total	\$ 200,334	\$ 897,285	\$ 86,691	\$ 200,334

The weighted average remaining lease terms and discount rates for the operating lease were as follows as of December 31, 2022 December 31, 2023:

Remaining lease term and discount rate:

Weighted average remaining lease term (years)	2.0	0.83
Weighted average discount rate		4.75 %

For the years ended December 31, 2021 December 31, 2022 and 2022, 2023, the Company charged total amortization of right-of-use assets of \$308,774 \$45,309 and \$45,309, \$110,959, respectively.

Interest expenses were \$1,138 and \$6,358 for the years ended December 31, 2022 and 2023, respectively.

The following is a schedule, by fiscal years, of maturities of lease liabilities as of December 31, 2022 December 31, 2023:

Period ending December 31, 2022:	Amount	
2023	\$	117,653
Period ending December 31, 2023:	Amount	
2024		89,011
Total lease payments	206,664	\$ 88,720
Less: imputed interest	6,330	2,029
Present value of lease liabilities	200,334	\$ 86,691

11. OTHER CURRENT LIABILITIES

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Accrued payroll and benefit	\$ 1,831,506	\$ 1,265,106	\$ 3,210,615	\$ 1,831,506
Other tax payable	3,451,928	2,092,869	3,352,643	3,451,928
Others	65,212	939,818	15,091	65,212
	\$ 5,348,646	\$ 4,297,793	\$ 6,578,349	\$ 5,348,646

12. CONVERTIBLE PROMISSORY NOTES

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Convertible promissory notes – principal	\$ 4,053,982	\$ 3,976,240	\$ 3,043,358	\$ 4,053,982
Convertible promissory notes – discount	(325,416)	(739,367)	(159,219)	(325,416)
Convertible promissory notes – interest	479,575	325,285	1,400,483	479,575
Convertible promissory notes, net	\$ 4,208,141	\$ 3,562,158	\$ 4,284,622	\$ 4,208,141

On October 4, 2021, the Company entered into a securities purchase agreement with Atlas Sciences, LLC, a Utah limited liability company, pursuant to which the Company issued the investor an unsecured promissory note on October 4, 2021 in the original principal amount of \$2,220,000, convertible into shares of the Company's common stock, for \$2,000,000 in gross proceeds. The convertible promissory note includes an original issue discount of \$200,000 along with \$20,000 for the investor's fees, costs and other transaction expenses incurred in connection with the purchase and sale of the Note. The Company settled convertible promissory notes of \$250,000 on June 23, 2022, \$125,000 on July 7, 2022, \$125,000 on July 18, 2022, \$125,000 on July 26, 2022, \$125,000 on August 4, 2022, \$125,000 on September 6, 2022, \$125,000 on September 29, 2022, \$125,000 on November 14, 2022, \$125,000 on November 11, 2022, \$125,000 on December 16, 2022 and \$125,000 on December 16, 2022, December 30, 2022 respectively, and issued 328,947, 135,693, 125,603, 125,100, 125,100, 150,777, 151,684, 144,676, 148,583, 6,579, 2,714, 2,512, 2,502, 2,502, 3,016, 3,034, 2,894, 2,972, 2,968 and 148,399, 2,968 shares of the Company's Common Stock on June 27, 2022, July 7, 2022, July 19, 2022, July 26, 2022, August 5, 2022, September 12, 2022, October 13, 2022, November 7, 2022, November 15, 2022, December 19, 2022 and December 19, 2022, December 30, 2022, respectively, for the year ended December 31, 2022. The Company settled convertible promissory notes of \$125,000 on January 10, 2023, \$125,000 on January 18, 2023, \$250,000 on February 2, 2023, \$250,000 on March 2, 2023, \$250,000 on April 5, 2023 and \$102,215 on June 20, 2023, respectively, and issued 2,956, 2,950, 5,860, 5,591, 7,143 and 4,180 shares of the Company's common stock on January 12, 2023, January 18, 2023, February 3, 2023, March 2, 2023, April 10, 2023 and June 21, 2023, respectively for the year ended December 31, 2023. As of December 31, 2023, the convertible promissory note issued on October 4, 2021 has been fully settled.

On May 6, 2022, the Company entered into a securities purchase agreement with Streeterville Capital, LLC, a Utah limited liability company, pursuant to which the Company issued the investor a convertible promissory note in the original principal amount of \$3,320,000, convertible into shares of Common Stock, \$0.001 par value per share, of the Company, for \$3,000,000 in gross proceeds. By written consent dated May 10, 2022, as permitted by Section 228 of the Delaware General Corporation Law and Section 8 of Article II of our bylaws, the stockholders who have the authority to vote a majority of the outstanding shares of Common Stock approved the following corporate actions: (i) the entry into a purchase agreements dated as of May 6, 2022 by and between the Company and Investor, pursuant to which the Company issued the note dated as of May 6, 2022 to the investor; and (ii) the issuance of shares of Common Stock in excess of 19.99% of the currently issued and outstanding shares of Common Stock of the Company upon the conversion of the note. The Company settled a convertible promissory note of \$375,000 on November 16, 2022, and issued 445,749 shares of the Company's Common Stock on November 17, 2022. The Company settled convertible promissory notes of \$200,000 on January 18, 2023, \$200,000 on February 3, 2023, \$175,000 on February 8, 2023, \$250,000 on February 15, 2023, \$250,000 on March 8, 2023, \$125,000 on March 24, 2023, \$150,000 on September 14, 2023, \$200,000 on October 7, 2023 and \$175,000 on November 8, 2023, respectively, and issued 4,719, 4,688, 4,102, 5,860, 5,591, 2,913, 3,496, 131,585 and 115,137 shares of the Company's common stock on January 19, 2023, February 6, 2023, February 8, 2023, February 15, 2023, March 15, 2023, March 29, 2023, March 29, 2023, September 14, 2023, October 7, 2023 and November 8, 2023, respectively for the year ended December 31, 2023.

On March 13, 2023, the Company entered into a securities purchase agreement with Streeterville Capital, LLC, a Utah limited liability company, pursuant to which the Company issued the investor a convertible promissory note in the original principal amount of \$3,320,000, convertible into shares of Common Stock, \$0.001 par value per share, of the Company, for \$3,000,000 in gross proceeds. By written consent dated March 6, 2023, as permitted by Section 228 of the Delaware General Corporation Law and Section 8 of Article II of our bylaws, the stockholders who have the authority to vote a majority of the outstanding shares of Common Stock approved the following corporate actions: (i) the entry into a purchase agreement, with terms substantially the same as the agreement attached in the aforesaid purchase agreement, by and between the Company and Investor, pursuant to which the Company issued an unsecured convertible promissory to the investor; and (ii) the issuance of shares of Common Stock in excess of 19.99% of the currently issued and outstanding shares of Common Stock of the Company upon the conversion of the note. The Company settled convertible promissory notes issued on September 13, 2023 of \$300,000 on September 7, 2023, \$200,000 on October 10, 2023, \$175,000 on October 13, 2023, \$150,000 on November 16, 2023 and \$150,000 on December 5, 2023, respectively, and issued 41,829, 41,736, 36,920, 109,075 and 109,075 shares of the Company's common stock on September 12, 2023, October 11, 2023, October 13, 2023, November 20, 2023 and December 7, 2023, respectively for the year ended December 31, 2023.

12. CONVERTIBLE PROMISSORY NOTES (CONTINUED)

The above two unsettled convertible promissory notes, issued on **October 4, 2021**, **May 6, 2022** and **May 6, 2022**, **March 13, 2023**, have a maturity date of 12 months with an interest rate of 10% per annum. The Company retains the right to prepay the note at any time prior to conversion with an amount in cash equal to 125% of the principal that the Company elects to prepay at any time six months after the issue date, subject to maximum monthly redemption amount of **\$250,000**, **\$375,000** and **\$375,000**, respectively. On or before the close of business on the third trading day of redemption, the Company should deliver conversion shares via "DWAC" (DTC's Deposit/Withdrawal at Custodian system). The Company will be required to pay the redemption amount in cash, or chooses to satisfy a redemption in registered stock or unregistered stock, such stock shall be issued at 80% of the average of the lowest "VWAP" (the volume-weighted average price of the Common Stock on the principal market for a particular Trading Day or set of Trading Days) during the fifteen trading days immediately preceding the redemption notice is delivered.

For the above two unsettled convertible promissory notes, upon evaluation, the Company determined that the Agreements contained embedded beneficial conversion features which met the definition of *Debt with Conversion and Other Options covered under the Accounting Standards Codification topic 470 ("ASC 470")*. According to ASC 470, an embedded beneficial conversion feature present in a convertible instrument shall be recognized separately at issuance by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital. Pursuant to the agreements, the Company shall recognize embedded beneficial conversion features three months after commitment date of **\$ 610,000**, **\$913,000** and **\$913,000** respectively. Beneficial conversion features have been recognized into discount on convertible promissory notes and additional paid-in capital and such discount will be amortized in 12 months until the notes will be settled. For the **twelve months year ended December 31, 2022**, **December 31, 2023**, the Company has recognized the amortization of beneficial conversion feature **\$457,500**, **\$218,750** and **\$694,250**, **\$820,448** to profit. For the settled convertible promissory notes issued on March 4, 2021, the Company has recognized embedded beneficial conversion features **\$60,867** to profit for the twelve months ended **December 31, 2022**.

13. EQUITY

Common stock issued in private placements

On November 5, 2021, the Company entered into a certain securities purchase agreement with Huiwen Hu, affiliates of the Company and Mr. Shuxiang Zhang, and certain other non-affiliate purchasers whom are “non-U.S. Persons”, pursuant to which the Company agreed to sell an aggregate of 13,000,000 260,000 shares of its common stock. The gross proceeds to the Company from the Common Stock Offering were \$45.5 million. Since Ms. Hu and Mr. Zhang are affiliates of the Company, the Common Stock Offering has been approved by the Audit Committee of the Board of Directors of the Company as well as the Board of Directors of the Company. The shares were issued on January 11, 2022. The Company received proceeds of \$45.5 million in January 2022.

On May 27, 2022, the Company entered into that certain securities purchase agreement with Mr. Xiangjun Wang and Mr. Heung Ming (Henry) Wong, affiliates of the Company, and certain other non-affiliate purchasers who are “non-U.S. Persons” pursuant to which the Company agreed to sell an aggregate of 11,420,000 228,400 shares of Common Stock, par value \$0.001 per share. The transaction was consummated on June 24, 2022 by the issuance of 11,420,000 228,400 shares of Common Stock. The Company received proceeds of \$11,420,000 in June 2022.

On November 6, 2022, the Company entered into that certain securities purchase agreement with Ms. Renmei Ouyang, Chairwomen and Chief Executive Officer of the Company, and certain other purchasers who are non-U.S. Persons, (as defined in Regulation S under the Securities Act of 1933, as amended), pursuant to which the Company agreed to sell an aggregate of 50,000,000 1,000,000 shares of its common stock, at a purchase price of \$1.15 per share (“November 2022 PIPE”). The gross proceeds to the Company from the November 2022 PIPE will be \$57.5 million. Since Ms. Renmei Ouyang is an affiliate of the Company, the November 2022 PIPE has been approved by the Audit Committee of the Board of Directors of the Company as well as the Board of Directors of the Company.

On January 9, 2023, the Company entered into a certain securities purchase agreement with Ms. Huiwen Hu, an affiliate of the Company, and certain other purchasers who are non-U.S. Persons, (as defined in Regulation S under the Securities Act of 1933, as amended), pursuant to which the Company agreed to sell an aggregate of 700,000 shares of its common stock, at a purchase price of \$60.50 per share (“January 2023 PIPE”). The gross proceeds to the Company from the January 2023 PIPE were \$42.35 million. Since Ms. Huiwen Hu is an affiliate of the Company, the January 2023 PIPE has been approved by the Audit Committee as well as the Board of Directors of the Company.

13. EQUITY (CONTINUED)

On August 1, 2023, the Company entered into a certain securities purchase agreement with Mr. Wenhao Cui, an affiliate of the Company, and certain other purchasers who are non-U.S. Persons, (as defined in Regulation S under the Securities Act of 1933, as amended), pursuant to which the Company agreed to sell an aggregate of 560,000 shares of its common stock, at a purchase price of \$17.50 per share (“August 2023 PIPE”). The gross proceeds to the Company from the January 2023 PIPE were \$9.8 million. Since Ms. Huiwen Hu is an affiliate of the Company, the August 2023 PIPE has been approved by the Audit Committee as well as the Board of Directors of the Company.

On November 16, 2023, the Company entered into a certain securities purchase agreement with certain purchasers who are non-U.S. Persons, (as defined in Regulation S under the Securities Act of 1933, as amended), pursuant to which the Company agreed to sell an aggregate of 15,000,000 shares of its common stock, at a purchase price of \$2.09 per share (“November 16 PIPE”). The gross proceeds to the Company from the January 2023 PIPE were \$31.35 million.

Settlement and Restated Common Stock Purchase Agreement

On January 19, 2021, the Company entered into a common stock purchase agreement, with White Lion Capital, LLC, a Nevada limited liability company, and on September 13, 2021, the Company entered into a Settlement and Mutual Release Agreement (the “Settlement Agreement”) with the investor. Pursuant to the Settlement Agreement, the Company and the investor agreed that on any trading day selected by the Company, provided that the closing price of the Company’s common stock, par value \$0.001 per share, on the date of purchase notice is greater than or equal to \$1.00 and there is an effective registration statement for the resale by the investor of the purchase notice shares, the Company has the right, but not the obligation, to present investor with a purchase notice, directing the investor to purchase up to certain amount shares of the Company’s Common Stock.

On December 12, 2022, the Company entered into a Settlement and Restated Common Stock Purchase Agreement (the “Restated Agreement”) with the investor. Pursuant to the Restated Agreement, in consideration for the investor’s execution and delivery of, and performance under the Restated Agreement, the Company agreed to issue to the investor 300,000 6,000 unregistered shares of Common Stock within five business days of execution of the Restated Agreement. In addition, within thirty days of the execution of the Restated Agreement, the Company shall deliver to the investor a purchase notice for 489,306 9,786 shares of Common Stock (the “First Purchase Notice”) at a purchase price of 80% of the lowest daily volume-weighted average price (“VWAP”) of the Company’s Common Stock during the valuation period as defined in the Restated Agreement (the “Purchase Price”). Within thirty days of the closing of the First Purchase Notice, the Company shall deliver to the investor a purchase notice for 200,000 4,000 purchase notice shares (the “Second Purchase Notice”) at the Purchase Price. Between the closing date of the Second Purchase Notice and the period ending on the earlier of (i) March 31, 2023 or (ii) the date on which the investor shall have purchased an aggregate of 2,889,306 57,786 purchase notice shares, the Company shall have the right, but not the obligation, to direct the Investor to purchase up to 1,900,000 38,000 purchase notice shares at which (i) the first 600,000 12,000 purchase notice shares shall be at the Purchase Price and (ii) any remaining purchase notice shares shall be at a purchase price of 85% of the lowest daily VWAP of the Company’s Common Stock during the valuation period as defined in the Restated Agreement.

According to the agreement, the company has issued 9,569 and 4,000 shares of common stock on January 20 2023 and February 1 2023, and received proceeds of \$400,182 and \$158,891 in January 2023 and February 2023.

13. EQUITY (CONTINUED)

Common stock issued pursuant to the conversion of convertible promissory notes

The Company settled the convertible promissory notes issued on October 4, 2021 of \$250,000 on June 23, 2022, \$125,000 on July 7, 2022, \$125,000 on July 18, 2022, \$125,000 on July 26, 2022, \$125,000 on August 4, 2022, \$125,000 on September 6, 2022, \$125,000 on September 29, 2022, \$125,000 on November 14, 2022, \$125,000 on November 11, 2022 and \$125,000 on December 16, 2022, respectively, and issued 328,947, 135,693, 125,603, 125,100, 125,100, 150,777, 151,684, 144,676, 148,583, 6,579, 2,714, 2,512, 2,502, 2,502, 3,016, 3,034, 2,894, 2,972 and 148,399 2,968 shares of the Company's Common Stock on June 27, 2022, July 7, 2022, July 19, 2022, July 26, 2022, August 5, 2022, September 12, 2022, October 13, 2022, November 7, 2022, November 15, 2022 and December 19, 2022, respectively, for the year ended December 31, 2022. In addition, the Company settled convertible promissory notes of \$125,000 on January 10, 2023, \$125,000 on January 18, 2023, \$250,000 on February 2, 2023, \$250,000 on March 2, 2023, \$250,000 on April 5, 2023 and \$102,215 on June 20, 2023, respectively, and issued 2,956, 2,950, 5,860, 5,591, 7,143 and 4,180 shares of the Company's common stock on January 12, 2023, January 18, 2023, February 3, 2023, March 2, 2023, April 10, 2023 and June 21, 2023, respectively for the year ended December 31, 2023.

13. EQUITY (CONTINUED)

The Company settled the convertible promissory note issued on May 6, 2022 of \$375,000 on ~~November 16~~ November 16, 2022, 2022, and issued 445,749 shares of the Company's Common Stock on November 17, 2022. In addition, The Company settled convertible promissory notes of \$200,000 on January 18, 2023, \$200,000 on February 3, 2023, \$175,000 on February 8, 2023, \$250,000 on February 15, 2023, \$250,000 on March 8, 2023, \$125,000 on March 24, 2023, \$150,000 on September 14, 2023, \$200,000 on October 7, 2023 and \$175,000 on November 8, 2023, respectively, and issued 4,719, 4,688, 4,102, 5,860, 5,591, 2,913, 3,496, 131,585 and 115,137 shares of the Company's common stock on January 19, 2023, February 6, 2023, February 8, 2023, February 15, 2023, March 15, 2023, March 29, 2023, March 29, 2023, September 14, 2023, October 7, 2023 and November 8, 2023, respectively for the year ended December 31, 2023.

The Company settled convertible promissory notes issued on September 13, 2023 of \$300,000 on September 7, 2023, \$200,000 on October 10, 2023, \$175,000 on October 13, 2023, \$150,000 on November 16, 2023 and \$150,000 on December 5, 2023, respectively, and issued 41,829, 41,736, 36,920, 109,075 and 109,075 shares of the Company's common stock on September 12, 2023, October 11, 2023, October 13, 2023, November 20, 2023 and December 7, 2023, respectively for the year ended December 31, 2023.
Reverse stock split of common stock

On August 8, 2022, The Company completed a five (5) for one (1) Reverse Stock Split (the "Reverse Split") of our issued and outstanding ordinary shares, par value \$0.001 per share.

On October 30, 2023, The Company completed a fifty (50) for one (1) reverse stock split of our issued and outstanding common stock, par value \$0.001 per share. The Reverse Stock Split applied to the issued shares of the Company on the date of the Reverse Stock Split and does not have any retroactive effect on the Company's shares prior to that date. However, for accounting purposes only, references to our ordinary shares in this quarterly report are stated as having been retroactively adjusted and restated to give effect to the Reverse Split, as if the Reverse Split had occurred by the relevant earlier date.

Share Issuances to Service Providers

In June 2023, the Company issued under its 2023 Stock Incentive Plan a total of 220,000 shares of common stock to certain service providers, and recorded \$5,698,000 in stock-based compensation expenses.

Common stocks issued for exercise of warrants by holders of warrants

Warrants

A summary of warrants activity for the year ended ~~December 31, 2022~~ December 31, 2023 was as follows:

	Number of shares	Weighted average life	Weighted average exercise price	Intrinsic Value	Number of shares	Weighted average life	Weighted average exercise price	Intrinsic Value
Balance of warrants outstanding and exercisable as of December 31, 2021	3,854,674	4.70 years	\$ 7.15	-				
Balance of warrants outstanding and exercisable as of December 31, 2022					77,093	3.70 years	\$ 7.15	-
Granted	-		-	-	-		-	-
Exercised	-		-	-	-		-	-
Balance of warrants outstanding and exercisable as of December 31, 2022	3,854,674	3.70 years	\$ 7.15	-				
Balance of warrants outstanding and exercisable as of December 31, 2023					77,093	3.70 years	\$ 7.15	-

As of ~~December 31, 2022~~ December 31, 2023, the Company had ~~3,854,674~~ 77,093 shares of warrants, among which ~~54,674~~ 1,093 shares of warrants were issued to two individuals in private placements, and ~~3,800,000~~ 76,000 shares of warrants were issued in three private placements closed on September 22, 2021.

In connection with ~~3,800,000~~ 76,000 shares of warrants, the Company issued warrants to investors to purchase a total of ~~3,800,000~~ 76,000 ordinary shares with a warrant term of five (5) years. The warrants have an exercise price of ~~\$5.75~~ \$28.75 per share.

13. EQUITY (CONTINUED)

The Warrants ended on **December 31, 2022** **December 31, 2023** are subject to anti-dilution provisions to reflect stock dividends and splits or other similar transactions, but not as a result of future securities offerings at lower prices. The warrants did not meet the definition of liabilities or derivatives, and as such they are classified as equity.

13. EQUITY (CONTINUED)

Statutory reserve

The Company is required to set aside at least 10% of their after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, the Company may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion fund and staff bonus and welfare fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends.

As of December 31, 2022, December 31, 2023 and 2021, 2022, the Company's PRC profit generating subsidiaries accrued statutory reserve funds of \$2,602,667 and \$1,477,567, \$2,602,667, respectively.

14. INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted loss per common share for the years ended December 31, 2022, December 31, 2023 and 2021, 2022, respectively:

	For the Years Ended December 31,		For the Years Ended December 31,	
	2022	2021	2023	2022
Net income(loss)	\$ 4,253,537	\$ (940,357)		
Net (loss) income			\$ (2,266,325)	\$ 4,253,537
Weighted Average Shares Outstanding-Basic	52,972,727	21,483,527	4,682,151	1,059,455
Weighted Average Shares Outstanding- Diluted	58,590,270	24,219,866	8,523,958	1,171,805
Income (loss) per share- basic	\$ 0.08	\$ (0.04)	\$ (0.48)	\$ 4.01
Income (loss) per share- diluted	\$ 0.07	\$ (0.04)	\$ (0.27)	\$ 3.63

Basic income(loss) per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is the same as basic loss per share due to the lack of dilutive items in the Company for the years ended December 31, 2022, December 31, 2023 and 2021, 2022. The number of warrants is excluded from the computation as the anti-dilutive effect.

The following table includes the number of shares that may be dilutive potential common shares in the future. The holders of these shares do not have a contractual obligation to share in our losses and thus these shares were not included in the computation of diluted loss per share because the effect was anti-dilutive.

	December 31,	December 31,
	2022	2021
Warrants	3,854,674	3,854,674
	<u>3,854,674</u>	<u>3,854,674</u>

	December 31,	December 31,
	2023	2022
Warrants	77,093	77,093
	<u>77,093</u>	<u>77,093</u>

15. INCOME TAXES

The United States of America

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “**Tax Act**”) was signed into law, which has made significant changes to the Internal Revenue Code. Those changes include, but are not limited to, a U.S. corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the deemed repatriation of cumulative foreign earnings as of December 31, 2017. Accordingly, the Company reevaluated its deferred tax assets on net operating loss carryforward in the U.S. As of December 31, 2020, due to uncertainties surrounding future utilization, the Company recorded a full valuation allowance against the deferred tax assets based upon management’s assessment as to their realization.

PRC

Effective January 1, 2008, the New Taxation Law of PRC stipulates that domestic enterprises and foreign invested enterprises (the “**FIEs**”) are subject to a uniform tax rate of 25%. Under the PRC tax law, companies are required to make quarterly estimate payments based on 25% tax rate; companies that received preferential tax rates are also required to use a 25% tax rate for their installment tax payments. The overpayment, however, will not be refunded and can only be used to offset future tax liabilities.

Income tax expenses consist of the following:

	For the Years Ended December 31,		For the Years Ended December 31,	
	2022	2021	2023	2022
Current income tax expenses	\$ (4,045,786)	\$ (2,817,146)	\$ (4,771,132)	\$ (4,045,786)
Deferred income tax benefits	792,114	825,945	756,076	792,114
Income tax expenses	\$ (3,253,672)	\$ (1,991,201)	\$ (4,015,056)	\$ (3,253,672)

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 years ended **December 31, 2022**, **December 31, 2023** and **2021**, **2022**, 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. The Company maintains a full valuation allowance on its net deferred tax assets as of **December 31, 2022**, **December 31, 2023** and **2021**, **2022**.

	December 31, 2023	December 31, 2022
Deferred tax assets		
Net operating loss carryforwards in the PRC	\$ 370,133	\$ 174,109
Federal Net operating loss carryforwards in the U.S.	5,381,954	3,497,656
State Net operating loss carryforwards in the U.S.	3,331,686	2,165,215
Amortization of beneficial conversion feature relating to issuance of convertible promissory notes	1,482,487	1,276,065
Amortization of relative fair value of warrants relating to issuance of convertible promissory notes	642,600	642,600
Impairment of equity investment	86,100	86,100
Less: valuation allowance	(11,294,960)	(7,841,745)
	\$ -	\$ -
Deferred tax liabilities		
Amortization of intangible assets acquired in business combination	\$ 2,256,696	\$ 3,059,953
	\$ 2,256,696	\$ 3,059,953

	December 31, 2022	December 31, 2021
Deferred tax assets		
Net operating loss carryforwards in the PRC	\$ 174,109	\$ 41,595
Federal Net operating loss carryforwards in the U.S.	3,497,656	2,797,851
State Net operating loss carryforwards in the U.S.	2,165,215	1,732,003
Amortization of beneficial conversion feature relating to issuance of convertible promissory notes	1,276,065	307,415
Amortization of relative fair value of warrants relating to issuance of convertible promissory notes	642,600	-
Impairment of equity investment	86,100	-
Less: valuation allowance	(7,841,745)	(4,878,864)
	\$ -	\$ -
Deferred tax liabilities		
Amortization of intangible assets acquired in business combination	\$ 3,059,953	\$ 4,178,238
	\$ 3,059,953	\$ 4,178,238

15. INCOME TAXES (CONTINUED)

Below is a reconciliation of the statutory tax rate to the effective tax rate of continuing operations:

	For the Years Ended December 31,		For the Years Ended December 31,	
	2022	2021	2023	2022
PRC statutory tax rate	25 %	25 %	25 %	25 %
Impact of different income tax rates in other jurisdictions	3.0 %	32.1 %	20.8 %	3.0 %
Effect of non-deductible expenses	0.0 %	0.3 %	(0.1) %	0.0 %
Effect of valuation allowance for deferred tax assets	15.3 %	132.1 %	183.8 %	15.3 %
Effective tax rate	43.3 %	189.5 %	229.5 %	43.3 %

As of **December 31, 2022**, **December 31, 2023** and **2021**, **2022**, the Company had U.S. domestic cumulative tax loss carryforwards of **\$16.7**, **\$25.6** million and **\$13.3**, **\$16.7** million, respectively, which may be available to reduce future income tax liabilities and will expire in the years 2027 through 2037. In addition, the Company had minimal PRC tax loss carryforwards will expire beginning year 2022 to year 2026.

Realization of the Company's net deferred tax assets is dependent upon the Company's ability to generate future taxable income in the respective tax jurisdictions to obtain benefit from the reversal of temporary differences and net operating loss carryforwards. Full valuation allowance of **\$7,841,745**, **\$11,294,960** was recorded against deferred tax assets.

Uncertain tax positions

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Interest and penalties related to uncertain tax positions are recognized and recorded as necessary in the provision for income taxes. The Company is subject to income taxes in the PRC. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances, where the underpayment of taxes is more than RMB 100,000. In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion. There were no uncertain tax positions as of **December 31, 2021**, **December 31, 2023** and **2020**, **2022** and the Company does not believe that its unrecognized tax benefits will change over the next twelve months.

16. RELATED PARTY TRANSACTIONS AND BALANCES

1) Nature of relationships with related parties

Name	Relationship with the Company
Guangzhou Chengji Investment Development Co., Ltd. (“Guangzhou Chengji”)	Controlled by Mr. Weicheng Pan, who is a former independent director of the Company.
Yunfeihu International E-commerce Group Co., Ltd (“Yunfeihu”)	An affiliate of the Company, over which an immediate family member of Chief Executive Officer owns equity interest and plays a role of director and senior management
Shenzhen Tongdow International Trade Co., Ltd. (“TD International Trade”)	Controlled by an immediate family member of Chief Executive Officer of the Company
Beijing Tongdow E-commerce Co., Ltd. (“Beijing TD”)	Wholly owned by Tongdow E-commerce Group Co., Ltd. which is controlled by an immediate family member of Chief Executive Officer of the Company
Shanghai Tongdow Supply Chain Management Co., Ltd. (“Shanghai TD”)	Controlled by an immediate family member of Chief Executive Officer of the Company
Guangdong Tongdow Xinyi Cable New Material Co., Ltd. (“Guangdong TD”)	Controlled by an immediate family member of Chief Executive Officer of the Company
Yangzhou Tongdow E-commerce Co., Ltd. (“Yangzhou TD”)	Controlled by an immediate family member of Chief Executive Officer of the Company
Tongdow (Zhejiang) Supply Chain Management Co., Ltd. (“Zhejiang TD”)	Controlled by an immediate family member of Chief Executive Officer of the Company
Shenzhen Meifu Capital Co., Ltd. (“Shenzhen Meifu”)	Controlled by Chief Executive Officer of the Company
Shenzhen Tiantian Haodian Technology Co., Ltd. (“TTHD”)	Wholly owned by Shenzhen Meifu
Hainan Tongdow International Trade Co., Ltd. (“Hainan TD”)	Controlled by an immediate family member of Chief Executive Officer of the Company
Yunfeihu modern logistics CO., Ltd (“Yunfeihu Logistics”)	Controlled by an immediate family member of Chief Executive Officer of the Company
Shenzhen Tongdow Jingu Investment Holding Co., Ltd (“Shenzhen Jingu”)	Controlled by an immediate family member of Chief Executive Officer of the Company
Tongdow E-commerce Group Co., Ltd (“TD E-commerce”)	Controlled by an immediate family member of Chief Executive Officer of the Company
Katie Ou	Shareholder of TD Holdings Inc

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

2) Balances with related parties

As of December 31, 2022, December 31, 2023 and 2021, 2022, the balances with related parties were as follows:

- Due from related parties

	December 31, 2022	December 31, 2021
Yunfeihu (i)	\$ -	\$ 11,358,373
Total due from related parties	<u>\$ -</u>	<u>\$ 11,358,373</u>

As of December 31, 2023 and 2022, no balance of due from related parties.

(i) The balance due from Yunfeihu represented loans provided to the related party. Both the principal and interest have been due in May 2022, with an interest rate of 10.95% per annum.

- Due to related parties

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
TD E-commerce	\$ 38,767,481	\$ -	<u>\$ 38,121,056</u>	<u>\$ 38,767,481</u>
Other related parties	-	21,174		
Total due to related parties	<u>\$ 38,767,481</u>	<u>\$ 21,174</u>	<u>\$ 38,121,056</u>	<u>\$ 38,767,481</u>

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**3) Transactions with related parties****Revenues generated from related parties**

For the years ended December 31, 2022 and 2021, the Company generated revenues from below. The amount due to related party customers:

	For the Years Ended December 31,	
	2022	2021
Revenue from sales of commodity products		
Yunfeihu	\$ -	\$ 22,403,309
Yangzhou TD	-	1,646,690
Total revenues generated from related parties	\$ -	\$ 24,049,999

Purchases from related parties

For is non-trade in nature, unsecured, non-interest bearing and are not expected to be repaid in the years ended December 31, 2022 and 2021, the Company purchased commodity products from below related party vendors: next 12 months.

	For the Years Ended December 31,	
	2022	2021
Purchase of commodity products		
Yangzhou TD	\$ -	\$ 7,998,963
Yunfeihu	-	1,643,472
TD International Trade	-	1,124,753
Hainan TD	-	3,700,921
Zhejiang TD	-	7,974,703
	\$ -	\$ 22,442,812

17. COMMITMENTS AND CONTINGENCIES

1) Contingencies

a 2015 Derivative Action

On February 3, 2015, a purported shareholder Kiran Kodali filed a putative shareholder derivative complaint against the Company, alleging that the Company and its former officers and directors violated their fiduciary duties, grossly mismanaged the Company and were unjustly enriched based upon the transfer that was the subject of the Internal Review and other grounds substantially similar to those asserted in the class action complaints.

On July 16, 2019, the Company received a copy of the final order and judgment that the Court entered on July 11, 2019, approving the settlement set forth in the Stipulation. The Stipulation provides for dismissal of the Derivative Action as to the Company and the Individual Defendants, and the Company agrees to adopt or maintain certain corporate governance reforms for at least three years. The Stipulation also provides for attorneys' fees and expenses to be paid by the Individual Defendants' insurance carriers to plaintiffs' counsel.

b. 2017 Arbitration with Sorghum

On December 21, 2017, the Company delivered notice ("Notice") to Sorghum notifying Sorghum that certain recent actions of Sorghum constituted breaches of Sorghum's covenants under the Exchange Agreement. Specifically, we believe that Sorghum is in breach of Section 6.9 (a and Section 6.11 (b) of the Exchange Agreement which required Sorghum to use commercially reasonable efforts and to cooperate fully with the other parties to consummate the transactions contemplated by the Exchange Agreement and to make its directors, officers and employees available in connection with responding in a timely manner to SEC comments. According to the terms of the Exchange Agreement, the Company is entitled to terminate the Exchange Agreement if the breach is not cured within twenty (20) days after the Notice is provided to Sorghum.

On January 25, 2018, the Company filed an arbitration demand ("Arbitration Demand" with the American Arbitration Association) "AAA" against Sorghum in connection with Sorghum's breach of the Exchange Agreement.

On July 30, 2018, Arbitrator entered a reasoned award, accepting the Company's proposal for resolution, awarding the Company damages of \$1,436,522 against Sorghum and denying Sorghum's Counterclaim against the Company in its entirety with prejudice. Sorghum has sought to vacate the arbitration award by filing a petition to vacate the arbitration award in the Supreme Court for the State of New York, New York County. The Court heard the Company and Sorghum's arguments on May 1, 2019, and entered an order vacating the arbitration award. The Company vigorously opposed and moved to confirm the arbitration award on May 6, 2019. On June 5, 2019, the Company filed a notice of appeal with the New York Supreme Court Appellate Division First Department. The appeal was scheduled to be mediated on November 20, 2019. On November 15, 2019, the Company withdrew its appeal filed June 5, 2019, upon the stipulation of the parties and accordingly, the arbitration award is deemed to be vacated.

1) Commitments

a Non-cancellable operating leases

The following table sets forth our contractual obligations as of **December 31, 2022** **December 31, 2023**:

	Payment due by December 31			
	Total	2023	2024	2025
Operating lease commitments for property management expenses under lease agreement	25,133	13,093	12,040	-

	Payment due by December 31			
	Total	2024	2025	2026
Operating lease commitments for property management expenses under lease agreement	11,714	11,714	-	-

17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2) Contingencies (continued)

c. 2018 Court Matter with Shanghai Nonobank Financial Information Service Co. Ltd.

On August 2, 2018, the Company may be involved in certain legal proceedings, claims, and other disputes arising from the commercial operations, projects, employees, and other matters which, in general, are subject to uncertainties and in which the outcomes are not predictable. The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. Although the outcomes of these legal proceedings cannot be predicted, the Company became party to an action filed by Shanghai Nonobank Financial Information Service Co. Ltd. (“**Plaintiff**”) does not believe these actions, in the Supreme Court for the State aggregate, will have a material adverse impact on its financial position, results of New York, New York County (“NY Supreme Court” (Index No. 653834/2018 (the “**Action**”). Plaintiff’s complaint seeks to recover approximately \$3.5 million of Plaintiff’s funds that were allegedly required to be held in escrow in New York pursuant to an agreement by and between Plaintiff, Yang Jie and Yi Lin (the “**Complaint**”). Plaintiff has alleged that the funds were required to be held in escrow in a New York attorney trust account pending the alleged consummation of a merger between Plaintiff’s parent company and the Company. Plaintiff alleged two causes of action against the Company for fraud/fraudulent inducement and conversion. On August 30, 2018, the Company filed a motion to dismiss Plaintiff’s causes of action against the Company. The Court has scheduled oral arguments on the Company’s motion to dismiss for May 1, 2019.

On July 15, 2019, the Company received a copy of the decision and order the Court entered on July 12, 2019, granting the Company’s motion to dismiss the Complaint in its entirety as against the Company without prejudice, with costs and disbursements to the Company as taxed by the Clerk of the Court, and the Clerk is directed to enter judgment accordingly in favor of the Company.

d. 2020 Court Matter with Harrison Fund

On April 6, 2020, the Company filed a law suit against Harrison Fund, LLC (“**Harrison Fund**”) in the United States District Court for the Northern District of California (the “**District Court**”) (Case No. 3:20-cv-2307). The Company had invested \$1,000,000 in Harrison Fund around May 2019. However, Harrison Fund had been reluctant to disclose related investment information to the Company and it was discovered that certain information presented on Harrison Fund’s brochure appeared to be problematic. The Company demanded a return of its investment from Harrison Fund. When the Company failed to obtain a response from Harrison Fund, it filed the complaint against Harrison Fund seeking to recover the \$1,000,000 investment.

Due to the uncertainty arising from this pending legal proceeding, a full impairment has been applied against the Company’s investment in financial products, operations, or liquidity.

18. RISKS AND UNCERTAINTIES

1) Credit risk

Assets that potentially subject the Company to significant concentration of credit risk primarily consist of cash and cash equivalents. The maximum exposure of such assets to credit risk is their carrying amount as at the balance sheet dates. As of **December 31, 2021** **December 31, 2023**, approximately **\$3.37 million** **\$0.34 million** was primarily deposited in financial institutions located in Mainland China, which were uninsured by the government authority. To limit exposure to credit risk relating to deposits, the Company primarily place cash deposits with large financial institutions in China which management believes are of high credit quality.

The Company’s operations are carried out in Mainland China. Accordingly, the Company’s business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC as well as by the general state of the PRC’s economy. In addition, the Company’s business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, rates and methods of taxation, and the extraction of mining resources, among other factors.

18. RISKS AND UNCERTAINTIES (CONTINUED)

2) Liquidity risk

The Company is also exposed to liquidity risk which is risk that it is unable to provide sufficient capital resources and liquidity to meet its commitments and business needs. Liquidity risk is controlled by the application of financial position analysis and monitoring procedures. When necessary, the Company will turn to other financial institutions and the owners to obtain short-term funding to meet the liquidity shortage.

3) Foreign currency risk

Substantially all of the Company's operating activities and the Company's major assets and liabilities are denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the Peoples' Bank of China ("PBOC") or other authorized financial institutions at exchange rates quoted by PBOC. Approval of foreign currency payments by the PBOC or other regulatory institutions requires submitting a payment application form together with suppliers' invoices and signed contracts.

The value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. Where there is a significant change in value of RMB, the gains and losses resulting from translation of financial statements of a foreign subsidiary will be significant affected.

18. RISKS AND UNCERTAINTIES (CONTINUED)

Translation of amounts from RMB into US\$ has been made at the following exchange rates for the respective periods:

	December 31, 2022	December 31, 2021
Balance sheet items, except for equity accounts	6.9646	6.3757

	December 31, 2023	December 31, 2022
Balance sheet items, except for equity accounts	7.0827	6.9646

	For the years ended December 31,	
	2022	2021
Items in the statements of operations and comprehensive income (loss), and statements of cash flows	6.7261	6.4506

	For the years ended December 31,	
	2023	2022
Items in the statements of operations and comprehensive income (loss), and statements of cash flows	7.0467	6.7261

19. SUBSEQUENT EVENTS

(1) Settlement of Convertible Promissory Notes

The Company settled the convertible promissory notes, issued on March 13, 2023 in favor of \$125,000 Streeterville Capital, LLC, of \$150,000 on December 30, 2022 February 1, 2024, \$125,000 and \$150,000 on January 10, 2023, \$125,000 on January 18, 2023, \$200,000 on January 18, 2023, \$250,000 on February 2, 2023, \$200,000 on February 3, 2023, \$175,000 on February 8, 2023, \$250,000 on February 15, 2023 and \$250,000 on March 2, 2023 February 15, 2024, respectively, and issued 148,399, 147,824, 147,475, 235,960, 292,987, 234,389, 205,090, 292,987 160,174 and 279,567 152,650 shares of the Company's common stock on January 6, 2023, January 12, 2023, January 18, 2023, January 19, 2023, February 3, 2023, February 6, 2023, February 8, 2023, February 15, 2023 February 1, 2024 and March 2, 2023 February 15, 2024, respectively.

(2) January Private Placement

On January 9, 2023, the Company entered into a certain securities purchase agreement with Ms. Huiwen Hu, an affiliate of the Company, and certain other purchasers who are non-U.S. Persons, pursuant to which the Company agreed to sell an aggregate of 35,000,000 shares of its common stock, at a purchase price of \$1.21 per share ("January 2023 PIPE"). The gross proceeds to the Company from the January 2023 PIPE was \$42.35 million. Since Ms. Huiwen Hu is an affiliate of the Company, the January 2023 PIPE has been approved by the Audit Committee as well as the Board of Directors of the Company.

(3) Settlement of Restated Agreement

The Company issued to White Lion Capital, LLC 489,306 shares of the Company's common stock on January 20, 2023 at a purchase price of 80% of the lowest daily volume-weighted average price of the Company's common stock during the valuation period as defined in the Restated Agreement (the "Purchase Price") and issued 200,000 shares of the Company's common stock on February 1, 2023 at the Purchase Price, pursuant to the Restated Agreement dated December 12, 2022. The Company received relevant proceeds of \$400,182.47 and \$158,890.50, respectively, in 2023.

F-37

F-38

Exhibit 19.1

Insider Trading Policy

BAIYU Holdings, Inc. (the "Company") encourages ownership of its stock by all officers, directors and employees. The Company's officers, directors, certain employees, certain consultants and certain stockholders (and their family members) are considered "Insiders." Insiders are subject to insider trading laws that affect the sale and purchase of the Company's stock. In conducting the business of the Company, Insiders may from time to time obtain material non-public information regarding the Company or other companies. Insiders may be sued civilly either by the Securities and Exchange Commission (the "SEC") or by private litigants if they trade in securities while in possession of material non-public information concerning the issuer of the securities. They may also be charged with a criminal violation. In recent years, the SEC and United States Attorneys have aggressively investigated and prosecuted persons who engaged in insider trading or tipped others.

This Insider Trading Policy (this "Policy") summarizes the insider trading rules and explains how Insiders can buy or sell stock so that they are in compliance with laws prohibiting insider-trading. This Policy also summarizes the consequences of violating insider trading laws.

You are responsible for ensuring that you and your family members comply with this Policy. Violations of this Policy are a serious matter. If you (or a family member) violate this Policy, you may be subject to civil and criminal charges. Your violation could also be grounds for dismissal with cause.

1. Rule 10b-5 Prohibition on Insider Trading.

SEC Rule 10b-5 prohibits corporate officers and directors or other insider employees from using confidential corporate information to reap a profit (or avoid a loss) by trading in the Company's stock. This rule also prohibits "tipping" of confidential corporate information to third parties.

• Who is an Insider?

An "Insider" is an officer, director, 10% stockholder and anyone who possesses inside information because of his or her relationship with the Company or with an officer, director or principal stockholder of the Company. Rule 10b-5's application goes considerably beyond just officers, directors and principal stockholders. This rule also

covers any employee who has obtained material non-public corporate information, as well as any person who has received a “tip” from an Insider of the Company concerning information about the Company that is material and non-public, and trades (i.e. purchases or sells) the Company’s stock or other securities. This Policy also applies to your family members who reside with you, anyone else who lives in your household, and family members who do not live in your household but whose securities transactions are directed by you or are subject to your influence or control, as well as trusts or other entities for which you make investment decisions.

- **What is material non-public information?**

Courts define “material non-public information” as information which, if known, could reasonably be expected to affect the value of the Company’s stock, or which would affect the investment judgment of a person making a decision to buy or sell the stock. Information is considered “material” if there is a substantial likelihood that it would be considered important by a reasonable investor in deciding whether to purchase or sell stock, or other securities, or if the information would be viewed by the reasonable investor as having significantly altered the total mix of information available to the investor before making the purchase or sale. The information need not be the determining factor, but must assume actual significance in the investor’s deliberations. Examples of inside information include:

- a material change in anticipated earnings (up or down);
- proposed public or private offerings of securities;
- loan defaults;
- pending or proposed mergers, acquisitions, joint ventures, or sales of significant assets or other strategic plans;
- regulatory approvals, patent registrations or issuances, investigations, etc.;
- a proposed offering or issuance of new securities;
- the occurrence of, or important developments in, major disputes, claims or significant litigation (whether or not meritorious);
- a change in management;
- new product announcements; and
- the gain or loss of significant customers, suppliers or business partners.

Material non-public information can be either positive or negative.

Information is “non-public” if it has not been disclosed to the public generally. For information to be considered public, there should be some evidence that it has been widely disseminated and that the investing public has had time to absorb the information. You should generally consider information non-public until after the second business day after the information is publicly released, such as by press release or widely circulated public disclosure documents filed with the SEC, such as prospectuses or 10-K, 10-Q or 8-K reports. For example, if information is disclosed via press release on a Monday, it can be considered public beginning that Thursday.

Please keep in mind that your transactions in the Company’s stock may be viewed “after the fact” with the full benefit of hindsight. If you have any questions whether certain information is material or has not been publicly disclosed, please call the Company’s Chief Financial Officer.

2. **Guidelines for Trading.**

“Insiders” must obey the following rules:

- **No Trading on Material Non-public Information.**

An Insider should never trade the Company’s stock while you are in possession of material, nonpublic information about the Company. Additionally, you should not discuss or reveal such “material non-profit information” about the Company to anyone, except as strictly required for a legitimate Company business purpose.

- **Pre-clearance of Trades.**

Directors and officers must pre-clear all trades in the Company’s stock at all times, including during the “Window Period” as set forth below, with the Company’s Chief Executive Officer or Chief Financial Officer. If you receive clearance for trades, you must complete your purchase or sale within 72 hours of receipt of the clearance.

- **Window Period.**

In addition to not trading while you possess material non-profit information, it is also in your, and the Company’s, best interests that you avoid even the appearance that you may be trading on non-public information. Trading in publicly offered securities is closely monitored by a number of watchdog groups, including plaintiffs’ attorneys. If you are perceived to be trading on non-public information, you may have to defend yourself in court even if you are innocent of any wrongdoing. The Company may also be sued in such cases.

To avoid such an appearance, the Company has adopted guidelines (the “**Window Period**”) covering the purchase or sale of its stock or other securities by Insiders. The Window Period is a Company rule designed to protect the Company and its Insiders. The Window Period opens on the second trading day after the day the Company’s quarterly or annual earnings figures are publicly released. For example, if the Company publicly releases its earnings after the market opens on a Monday, the Window Period would be closed and would remain closed until it opens at the open of the market on Wednesday (assuming no intervening holidays). The Window Period will remain open for a period of 20 full trading days and will close at the end of the 20th day. *Transactions involving the purchase or sale of the Company’s stock must take place during this 20-day period. Directors and officers must obtain pre-clearance for trades even during the Window Period. The Company reserves the right to change these dates without prior notice.*

Note that a purchaser or seller who is aware of material non-public information cannot buy or sell even during an “open” window. In such a case, the Insider with knowledge must not trade until the second trading day after the information of which he or she is aware becomes public.

- **Exception to Window Period**

As discussed above, all trading of the Company’s stock must occur during the Window Period. If you believe an unanticipated, infrequent and compelling event necessitates the purchase or sale outside the Window Period, however, you may request an exception to the rule. You should not expect and you are urged not to rely on your ability to obtain an exception to the Window Period rule when making decisions regarding your finances. A request for an exception to the Window Period rule must set forth the event necessitating the purchase or sale, the reason the purchase or sale is necessary, and the date of the planned purchase or sale. All requests for exceptions must be reviewed and approved by the Company’s Chief Financial Officer. If a request for an exception is approved, you must complete the trade on the date set forth in your request within the period of time approved by the Company’s Chief Financial Officer. If the trade does not occur on that date, you must notify the Company’s Chief Financial Officer and request to make the trade on a different date. If approved, the trade must be made on such date.

Rule 10b5-1 Plans Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (“Rule 10b5-1”) provides an affirmative defense to insider trading liability where it is evident that material nonpublic information known to the person trading did not play a role in trading decisions. In order to take advantage of these defenses:

- First, the trading plan must be adopted, or take effect, when the trader is not aware of any material non-public information about the Company.
- Second, the plan must either (1) expressly specify the amount, price, and date of trades; (2) provide a written formula or algorithm, or computer program, for determining amounts, prices, and dates; or (3) give all discretion regarding the power to execute securities transactions pursuant to the plan to a third party who does not possess material nonpublic information.

- Third, the trader must demonstrate that the purchase or sale that occurred was pursuant to the plan. A purchase or sale would not be pursuant to the plan if, among other things, the trader altered or deviated from the plan or entered into or altered a corresponding or hedging transaction or position with respect to those securities.

Transactions in accordance with an approved Rule 10b5-1 trading plan will not violate this Policy. Insiders must make their own arrangements with brokers to establish Rule 10b5-1 trading plans. Any Rule 10b5-1 trading plan, however, should be in writing and should be submitted to the Company's Chief Operating and Financial Officer for review prior to its execution. All Rule 10b5-1 trading plans must be executed during a Window Period and trades under the plan may not commence until at least 60 days after the execution date.

3. **Consequences of an Insider Trading Violation.**

Insider trading results in any one or more of the following legal problems:

- A private lawsuit may be brought against the Insider by a stockholder of the Company. This private action may be brought either by a person who has purchased from, or sold to, an insider or by a stockholder suing in the name of the Company.
- A civil enforcement action could be brought against the Insider by the SEC seeking (a) a monetary penalty (in an amount up to three times the profit gained or the loss avoided); (b) a cease-and-desist order; and (c) an order barring the insider from serving as an officer and director of any public company.
- Especially serious cases could result in a criminal felony prosecution.

You should be aware that the Company cannot defend you against an insider trading violation. You would have to bear the costs of defending yourself, and those costs can be staggering. In addition, the damage to your reputation -- and that of the Company -- as a result of an insider trading violation could be irreparable.

4. **Stock Transactions.**

- Short Sales; Put or Call Options.

All Insiders are prohibited from selling short (including, short sales "against the box") or from trading, writing, or purchasing "put" or "call" options on the Company's stock whether or not such options are traded on an exchange. A "short sale" is the sale of securities that are not then owned by the person selling such securities. In other words, the seller enters into an agreement to sell the securities at a later date at a specified price, with the seller intending to purchase the securities to be sold at some point between the execution of the agreement and the date he or she must deliver the securities. Thus, the implication is that the seller is anticipating a decrease in the price of the security.

- Margin Sales.

The fact that a sale of the Company's stock results from a margin call does not provide a defense to an insider trading claim. Courts view such sales as resulting from the Insider's failure to meet the margin call -- as something within the Insider's control.

- Stock Option Exercises; Sale of Option Shares.

You may exercise vested Company stock options at any time. However, you may only sell the shares that you obtain from such exercises by complying with the pre-clearance procedure during the open Window Period. In addition, you must not possess material non-profit information when you sell these shares.

5. **Restrictions on Tipping.**

The term "insider trading" refers to the use of material non-profit information both in trading securities or in passing on or "tipping" such information to others. As a result, in addition to refraining from trading for your own account while you are aware of material non-profit information, you are prohibited from engaging in any other action to take advantage of, or to communicate to others ("tip") such information. An Insider who tips information to a person who then trades is subject to the same penalties as the tippee, even if the Insider did not trade and did not profit from the tippee's trading.

6. **Section 16 Liability.**

Insiders may be liable to the Company under Section 16(b) of the Securities Exchange Act of 1934, as amended, for any "profit" realized as a result of any purchase followed by a sale, or sale followed by a purchase, of the Company's stock within any period of less than six months. There is no "tracing" of shares for these purposes. Any sale made by an Insider may be matched against any purchase made within the statutory period, and the transactions will be matched in such a way as to maximize the amount payable by the Insider to the Company.

Before engaging in any transaction in the Company's stock, the Insider should consider carefully whether he or she has made any other transaction during the preceding six months and, if so, whether such transactions would result in profits recoverable under Section 16(b).

ANY PURCHASES OR SALES BY AN INSIDER RESULTING IN SECTION 16(B) LIABILITY WILL BE THE SUBJECT OF DISCIPLINARY ACTION INCLUDING IMMEDIATE TERMINATION OF EMPLOYMENT.

IN ADDITION TO THE FORFEITURE OF SHORT SWING PROFITS TO THE COMPANY, THE INDIVIDUAL WILL BE RESPONSIBLE FOR ALL COSTS ASSOCIATED WITH SUCH LIABILITY, INCLUDING BUT NOT LIMITED TO, LEGAL FEES.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Annual Report on Form 10-K on the financial statements of BAIYU Holdings Inc. (formerly known as "TD Holdings Inc.") of auditor's opinion in the Report of Independent Registered Public Accounting Firm dated March 22, 2024, relating to the consolidated balance sheets of the Company as of December 31, 2023, and the related consolidated statements of operation and comprehensive loss, changes in shareholder's equity, and cash flows for the year ended December 31, 2023 and the related notes, included in its Annual Report on Form 10-K.

Singapore
March 22, 2024

AUDIT ALLIANCE LLP[®]

A Top 18 Audit Firm
10 Anson Road, #20-16 International Plaza, Singapore 079903.

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Website: www.allianceaudit.com

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements Annual Report on Form S-8 (File No. 333-214779) and Form S-3 (File Nos. 333-217473 and 333-239757) 10-K on the financial statements of TD BAIYU Holdings Inc. (the "Company" (formerly known as "TD Holdings Inc."), of auditor's opinion in the Report of our report Independent Registered Public Accounting Firm dated March 10, 2023, relating to the consolidated balance sheet sheets of the Company as of December 31, 2022 and 2021, and the related consolidated statements of operations operation and comprehensive income(loss), loss, changes in shareholders' shareholder's equity, and cash flows for the year ended December 31, 2022 and 2021, and the related notes, included in its Annual Report on Form 10-K.

/s/ Audit Alliance LLP Very truly yours,

Singapore
March 10, 2023 22, 2024

Exhibit 31.1

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

I, Renmei Ouyang, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 of TD BAIYU Holdings, 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 us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2023 March 22, 2024

By: /s/ Renmei Ouyang
Renmei Ouyang
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Tianshi (Stanley) Yang, Wenhao Cui, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 of TD BAIYU Holdings, 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 us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2023 March 22, 2024

By: /s/ Tianshi (Stanley) Yang Wenhao Cui
Tianshi (Stanley) Yang Wenhao Cui
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF SARBANES-OXLEY ACT OF 2002

I, Renmei Ouyang, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Annual Report on Form 10-K of TD BAIYU Holdings, Inc. (the "Company") for the year ended December 31, 2022 December 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **March 10, 2023** March 22, 2024

By: /s/ Renmei Ouyang
Renmei Ouyang
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF SARBANES-OXLEY ACT OF 2002

I, **Tianshi (Stanley) Yang, Wenhao Cui**, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Annual Report on Form 10-K of **TD BAIYU** Holdings, Inc. (the "Company") for the year ended **December 31, 2022** **December 31, 2023** (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **March 10, 2023** March 22, 2024

By: /s/ Tianshi (Stanley) Yang Wenhao Cui
Tianshi (Stanley) Yang Wenhao Cui
Chief Financial Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.

Exhibit 97

BAIYU HOLDINGS, INC.
CLAWBACK POLICY

A. OVERVIEW

In accordance with the applicable rules of The Nasdaq Stock Market (the "**Nasdaq Rules**"), Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") ("**Rule 10D-1**"), the Board of Directors (the "**Board**") of BAIYU Holdings, Inc. (the "**Company**") has adopted this Policy (the "**Policy**") to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H, below.

B. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with Nasdaq Rules and Rule 10D-1 as follows:

- (i) After an Accounting Restatement, the Compensation Committee (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board) (the "**Committee**") shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.
 - (a) For Incentive-based Compensation based on (or derived from) the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:
 - i. The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company's stock price or total shareholder return upon which the Incentive-based Compensation was Received; and
 - ii. The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the Nasdaq.
 - (ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.
 - (iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

- (iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.
- (v) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section B(1) above if the Committee (which, as specified above, is composed entirely of independent directors or in the absence of such a committee, a majority of the independent directors serving on the Board) determines that recovery would be impracticable and any of the following two] conditions are met:
 - (i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, documented such attempt(s) and provided such documentation to the Nasdaq;or
 - (ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

C. DISCLOSURE REQUIREMENTS

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission (“SEC”) filings and rules.

D. PROHIBITION OF INDEMNIFICATION

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company’s enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company’s right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

E. ADMINISTRATION AND INTERPRETATION

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company’s compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith.

F. AMENDMENT; TERMINATION

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

G. OTHER RECOVERY RIGHTS

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

H. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) “**Accounting Restatement**” means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement)

(2) “**Clawback Eligible Incentive Compensation**” means all Incentive-based Compensation Received by an Executive Officer (i) on or after the effective date of the applicable Nasdaq rules, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).

(3) “**Clawback Period**” means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

(4) “**Erroneously Awarded Compensation**” means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(5) “**Executive Officer**” means each individual who is currently or was previously designated as an “officer” of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K or Item 6.A of Form 20-F, as applicable, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).

(6) “**Financial Reporting Measures**” means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

(7) “**Incentive-based Compensation**” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(8) “**Nasdaq**” means The Nasdaq Stock Market.

(9) “**Received**” means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

(10) “**Restatement Date**” means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

Effective as of December 1, 2023

4

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