

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

FORM 10-Q

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

For the quarterly period ended September 30, 2025

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: 001-34647

ZW Data Action Technologies Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

20-4672080

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

**8/F, 29 Des Voeux Road Central, Central,
Hong Kong Special Administrative Region of the People's Republic of China**

(Address of principal executive offices) (Zip Code)

+852 2669-8078

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of November 14, 2025, the registrant had 3,268,469 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Interim Financial Statements

The Public Company Accounting Oversight Board (the “PCAOB”) had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprived our investors of the benefits of such inspections.

Our auditor, ARK Pro CPA & Co. (“ARK”), the independent registered public accounting firm that issues the audit report in our SEC filings, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States, pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor is located in Hong Kong Special Administrative Region of the PRC (“Hong Kong”), China, a jurisdiction where the PCAOB was unable to conduct inspections and investigations before 2022. As a result, we and investors in our securities were deprived of the benefits of such PCAOB inspections. 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 China mainland and Hong Kong in 2022. However, the inability of the PCAOB to conduct inspections of auditors in Hong Kong in the past made it more difficult to evaluate the effectiveness of our independent registered public accounting firm’s audit procedures or quality control procedures as compared to auditors outside of China mainland and Hong Kong that have been subject to the PCAOB inspections, which could cause investors and potential investors in our securities to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our common stock may be delisted and prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, as amended by the Accelerating Holding Foreign Companies Accountable Act, if the PCAOB is unable to inspect or investigate completely auditors located in China mainland and Hong Kong. The delisting of our common stock or the threat of their being delisted could cause the value of our common stock to significantly decline or be worthless, and thus you could lose all or substantial portion of your investment.

On December 18, 2020, the Holding Foreign Companies Accountable Act, or the HFCAA, was signed into law that states if the SEC determines that issuers have filed audit reports issued by a registered public accounting firm that has not been subject to PCAOB inspection for three consecutive years beginning in 2021, the SEC shall prohibit its common stock from being traded on a national securities exchange or in the over-the-counter trading market in the U.S. Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, to prohibit securities of any registrant from being listed on any of the U.S. securities exchanges or traded over-the-counter if the auditor of the registrant’s financial statements is not subject to PCAOB inspection for two consecutive years, instead of three consecutive years as enacted in the HFCAA. On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements of the HFCAA, pursuant to which the SEC will identify an issuer as a “Commission-Identified Issuer” if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely, and will then impose a trading prohibition on an issuer after it is identified as a Commission-Identified Issuer for three consecutive years. On December 29, 2022, the Accelerating Holding Foreign Companies Accountable Act was signed into law.

On December 16, 2021, the PCAOB issued a HFCAA Determination Report (the “2021 PCAOB Determinations”) to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in China mainland and Hong Kong because of positions taken by the Chinese authorities, and our auditor was subject to this determination. On May 13, 2022, the SEC conclusively identified us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 10-K for the fiscal year ended December 31, 2021.

On August 26, 2022, the PCAOB signed a Statement of Protocol on agreement governing on inspections of audit firms based in mainland China and Hong Kong, with China Securities Regulatory Commission (“CSRC”) and Ministry of Finance (“MOF”) of the PRC, in regarding to governing inspections and investigations of audit firms headquartered in mainland China and Hong Kong (the “Agreement”). As stated in the Agreement, the Chinese authorities committed that the PCAOB has direct access to view complete audit work papers under its inspections or investigations and has sole discretion to the selected audit firms and audit engagements. The Agreement opens access for the PCAOB to inspect and investigate the registered public accounting firms in mainland China and Hong Kong completely. The PCAOB then thoroughly tested compliance with every aspect of the Agreement necessary to determine complete access. This included sending a team of PCAOB staff to conduct on-site inspections and investigations in Hong Kong over a nine-week period from September to November 2022.

On December 15, 2022, the PCAOB issued its 2022 HFCAA Determination Report to notify the SEC of its determination that the PCAOB was able to secure complete access to inspect and investigate PCAOB-registered public accounting firms headquartered in China mainland and Hong Kong completely in 2022. The PCAOB Board vacated its 2021 PCAOB Determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in China mainland and Hong Kong. For this reason, we do not expect to be identified as a Commission-Identified Issuer following the filing of our annual report for the fiscal year ended December 31, 2022. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in China mainland and Hong Kong is subject to uncertainty and depends on a number of factors out of our, and our auditor's control.

The PCAOB is continuing to demand complete access in China mainland and Hong Kong moving forward and is already 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 does not have to wait another year to reassess its determinations. Should the PRC authorities obstruct the PCAOB's access to inspect or investigate completely in any way and at any point, the PCAOB will act immediately to consider the need to issue new determinations consistent with the HFCAA.

We cannot assure you that our auditor will not be determined as a register public accounting firm that the PCAOB is unable to inspect or investigate completely for two consecutive years because of positions taken by the Chinese authorities and/or any other causes in the future. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB in the future again determines that it is unable to inspect and investigate completely auditors in China mainland and Hong Kong, we may be identified as a Commission-Identified Issuer accordingly. If this happens, Nasdaq may determine to delist our common stock, and there is no certainty that we will be able to continue listing our common stock on other non-U.S. stock exchanges or that an active market for our common stock will immediately develop outside of the U.S. The prohibiting from trading in the United States or delisting of our common stock or the threat of their being delisted could cause the value of our common stock to significantly decline or be worthless, and thus you could lose all or substantial portion of your investment.

ZW DATA ACTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except for number of shares and per share data)

	September 30, 2025 (US \$) (Unaudited)	December 31, 2024 (US \$)
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,761	\$ 812
Accounts receivable, net of allowance for credit loss of \$5,175 and \$4,817, respectively	1,102	1,614
Prepayment and deposit to suppliers	4,727	4,508
Other current assets, net	878	2,239
Total current assets	8,468	9,173
Long-term investments	397	397
Operating lease right-of-use assets	59	-
Property and equipment, net	150	116
Intangible assets, net	576	-
Total Assets	\$ 9,650	\$ 9,686
Liabilities and Equity		
Current liabilities:		
Accounts payable *	\$ 206	\$ 93
Advance from customers *	599	489
Accrued payroll and other accruals *	155	557
Taxes payable *	3,208	3,152
Operating lease liabilities *	48	-
Advance from investors	1,278	1,075
Other current liabilities *	524	480
Total current liabilities	6,018	5,846

ZW DATA ACTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
(In thousands, except for number of shares and per share data)

	September 30, 2025 (US \$) (Unaudited)	December 31, 2024 (US \$)
Long-term liabilities:		
Operating lease liabilities – non-current portion	13	-
Deferred tax liability – non-current portion	87	-
Long-term borrowing from a related party	123	122
Total Liabilities	6,241	5,968
Commitments and contingencies		
Equity:		
ZW Data Action Technologies Inc.'s stockholders' equity		
Common stock (US\$0.001 par value; authorized 12,500,000 shares; issued and outstanding 2,659,629 shares and 2,301,205 shares at September 30, 2025 and December 31, 2024, respectively)	3	2
Additional paid-in capital**	64,176	63,102
Statutory reserves	2,598	2,598
Accumulated deficit	(64,727)	(63,451)
Accumulated other comprehensive income	1,297	1,407
Total shareholders' equity	3,347	3,658
Noncontrolling interests	62	60
Total equity	3,409	3,718
Total Liabilities and Equity	\$ 9,650	\$ 9,686

* Liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company's general assets (Note 2).

See notes to unaudited condensed consolidated financial statements

ZW DATA ACTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except for number of shares and per share data)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025 (US \$) (Unaudited)	2024 (US \$) (Unaudited)	2025 (US \$) (Unaudited)	2024 (US \$) (Unaudited)
Revenues	\$ 3,917	\$ 13,190	\$ 1,717	\$ 3,239
Cost of revenues	3,612	12,735	1,619	3,184
Gross profit	305	455	98	55
Operating expenses				
Sales and marketing expenses	-	208	-	75
General and administrative expenses	1,719	3,462	251	1,972
Total operating expenses	1,719	3,670	251	2,047
Loss from operations	(1,414)	(3,215)	(153)	(1,992)
Other income/(expenses)				
Interest income	144	233	45	66
Other expenses, net	(4)	(30)	1	(2)
Impairment on long-term investment	-	(2)	-	-
Gain on disposal of subsidiaries	-	23	-	23
Total other income	140	224	46	87
Loss before income tax benefit/(expense) and noncontrolling interests	(1,274)	(2,991)	(107)	(1,905)
Income tax benefit/(expenses)	(1)	4	(1)	-
Net loss	\$ (1,275)	\$ (2,987)	\$ (108)	\$ (1,905)

ZW DATA ACTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (CONTINUED)
(In thousands, except for number of shares and per share data)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025	2024	2025	2024
	(US \$)	(US \$)	(US \$)	(US \$)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net loss	\$ (1,275)	\$ (2,987)	\$ (108)	\$ (1,905)
Net loss attributable to noncontrolling interests	(1)	7	-	(9)
Net loss attributable to ZW Data Action Technologies Inc.	<u>(1,276)</u>	<u>(2,980)</u>	<u>(108)</u>	<u>(1,914)</u>
Net loss	\$ (1,275)	\$ (2,987)	\$ (108)	\$ (1,905)
Foreign currency translation income/(loss)	(109)	(78)	(56)	(124)
Comprehensive Loss	<u>(1,384)</u>	<u>(3,065)</u>	<u>(164)</u>	<u>(2,029)</u>
Comprehensive income attributable to noncontrolling interests	(2)	7	(1)	(9)
Comprehensive loss attributable to ZW Data action Technologies Inc.	<u>(1,386)</u>	<u>(3,058)</u>	<u>(165)</u>	<u>(2,038)</u>
Loss per share				
Loss per common share				
Basic and diluted**	<u>\$ (0.52)</u>	<u>\$ (1.65)</u>	<u>\$ (0.04)</u>	<u>\$ (1.06)</u>
Weighted average number of common shares outstanding:				
Basic and diluted**	<u>2,449,564</u>	<u>1,802,582</u>	<u>2,659,629</u>	<u>1,805,289</u>

**Retrospectively restated for effect of the 1-for-4 reverse stock split effective on September 30, 2024, see Note 4(f).

See notes to unaudited condensed consolidated financial statements.

ZW DATA ACTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended September 30,	
	2025	2024
	(US \$)	(US \$)
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net loss	\$ (1,275)	\$ (2,987)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	163	713
Amortization of operating lease right-of-use assets	35	22
Share-based compensation expenses	346	1,642
Gain on disposal of subsidiaries	-	(23)
Impairment on long-term investments	-	2
Loss on disposal of fixed assets	-	3
Provision for allowances for credit losses	686	765
Deferred Taxes	-	(4)
Other non-operating (income)/losses	(144)	(233)
Changes in operating assets and liabilities		
Accounts receivable	207	(1,433)
Prepayment and deposit to suppliers	(551)	(18)
Other current assets	5	-
Accounts payable	112	296
Advance from customers	74	(89)
Accrued payroll and other accruals	(403)	(246)
Other current liabilities	(4)	383
Taxes payable	21	3
Operating lease liabilities	(33)	(24)
Deferred tax liabilities	(20)	-
Net cash used in operating activities	(781)	(1,228)
Cash flows from investing activities		
Purchases of vehicles, office equipment and leasehold improvement	(65)	(3)
Purchase of intellectual property	(600)	-
Investment and advance to ownership investee entities	-	(2)
Net proceeds from disposal of long-term investments	-	147
Cash acquired during the period	-	9
Cash deconsolidated during the period	-	(6)
Deposit for other investing contracts	-	(401)
Short-term loans to unrelated parties	-	-
Repayment of short-term loans and interest income from unrelated parties	1,121	901
Net cash provided by investing activities	456	645

ZW DATA ACTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(In thousands)

	Nine Months Ended September 30,	
	2025	2024
	(US \$)	(US \$)
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Advance from investors	1,278	806
Capital contribution from noncontrolling interest	-	70
Net cash provided by financing activities	1,278	876
Effect of exchange rate fluctuation on cash and cash equivalents	(4)	(13)
Net increase in cash and cash equivalents	949	306
Cash and cash equivalents at beginning of the period	812	817
Cash and cash equivalents at end of the period	<u>\$ 1,761</u>	<u>\$ 1,123</u>
Supplemental disclosure of cash flow information		
Private placement completed during the period	<u>\$ 1,075</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest expense paid	<u>\$ -</u>	<u>\$ -</u>

See notes to unaudited condensed consolidated financial statements

ZW DATA ACTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025

(In thousands, except for number of shares)

	Common stock		Additional paid-in capital	Statutory reserves	Accumulated deficit	Accumulated other comprehensive income/(loss)	Non-controlling Interest	Total stockholders' equity
	Number of shares	Amount (US \$)	(US \$)	(US \$)	(US \$)	(US \$)	(US \$)	(US \$)
Balance, January 1, 2025	2,301,205	\$ 2	\$ 63,102	\$ 2,598	\$ (63,451)	\$ 1,407	\$ 60	\$ 3,718
Issuance of common stock for private placement	358,424	1	1,074	-	-	-	-	1,075
Net loss for the period	-	-	-	-	(1,168)	-	1	(1,167)
Foreign currency translation adjustment	-	-	-	-	-	(53)	-	(53)
Balance, June 30, 2025 (unaudited)	2,659,629	\$ 3	\$ 64,176	\$ 2,598	\$ (64,619)	\$ 1,354	\$ 61	\$ 3,573
Net loss for the period	-	-	-	-	(108)	-	-	(108)
Foreign currency translation adjustment	-	-	-	-	-	(57)	1	(56)
Balance, September 30, 2025 (unaudited)	2,659,629	\$ 3	\$ 64,176	\$ 2,598	\$ (64,727)	\$ 1,297	\$ 62	\$ 3,409

See notes to unaudited condensed consolidated financial statements

ZW DATA ACTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2024
(In thousands, except for number of shares)

	Common stock*		Additional paid-in capital*	Statutory reserves	Accumulated deficit	Accumulated other comprehensive income/(loss)	Non-controlling Interest	Total stockholders' equity
	Number of shares	Amount (US \$)	(US \$)	(US \$)	(US \$)	(US \$)	(US \$)	(US \$)
Balance, January 1, 2024	1,926,205	\$ 2	\$ 62,072	\$ 2,598	\$ (59,690)	\$ 1,272	\$ -	\$ 6,254
Noncontrolling interests in an acquired VIE	-	-	-	-	-	-	5	5
Capital contribution from noncontrolling interests	-	-	-	-	-	-	70	70
Net loss for the period	-	-	-	-	(1,066)	-	(16)	(1,082)
Foreign currency translation adjustment	-	-	-	-	-	46	-	46
Balance, June 30, 2024 (unaudited)	1,926,205	\$ 2	\$ 62,072	\$ 2,598	\$ (60,756)	\$ 1,318	\$ 59	\$ 5,293
Share-based compensation in exchange for services from employees, directors and consultants	375,000	-	1,030	-	-	-	-	1,030
Disposal of noncontrolling interests in VIEs	-	-	-	-	-	-	(5)	(5)
Net loss for the period	-	-	-	-	(1,914)	-	9	(1,905)
Foreign currency translation adjustment	-	-	-	-	-	(124)	-	(124)
Balance, September 30, 2024 (unaudited)	2,301,205	\$ 2	\$ 63,102	\$ 2,598	\$ (62,670)	\$ 1,194	\$ 63	\$ 4,289

*Retrospectively restated for effect of the 1-for-4 reverse stock split effective on September 30, 2024, see Note 4(f).

See notes to unaudited condensed consolidated financial statements

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Organization and nature of operations

ZW Data Action Technologies Inc. (the “Company”) was incorporated in the State of Texas in April 2006 and re-domiciled to become a Nevada corporation in October 2006. On June 26, 2009, the Company consummated a share exchange transaction with China Net Online Media Group Limited (the “Share Exchange”), a company organized under the laws of British Virgin Islands (“China Net BVI”). As a result of the Share Exchange, China Net BVI became a wholly owned subsidiary of the Company and the Company is now a holding company, which, through certain contractual arrangements with operating companies in the People’s Republic of China (the “PRC”) and its operating subsidiaries, is engaged in providing Internet advertising, precision marketing, influencer marketing services as well as the related data and technical services to small and medium enterprises (SMEs). The Company also develops blockchain enabled web/mobile applications and provides software solutions, i.e., Software-as-a-Service (“SaaS”) services for clients and engages in intellectual property (“IP”) licensing services.

2. Variable interest entities

The Company is not an operating company in China, but a Nevada holding company with no equity ownership in the VIEs. The Company primarily conducts its operations in China through its PRC subsidiaries, the VIEs, with which the Company has entered into contractual arrangements, and their subsidiaries in China. Summarized below is the information related to the VIEs’ assets and liabilities reported in the Company’s condensed consolidated balance sheets as of September 30, 2025 and December 31, 2024, respectively:

	September 30, 2025	December 31, 2024
	US\$('000)	US\$('000)
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 3	\$ 24
Accounts receivable, net	-	34
Prepayment and deposit to suppliers	1,072	1,189
Other current assets, net	1	2
Total current assets	1,076	1,249
Property and equipment, net	69	85
Total Assets	\$ 1,145	\$ 1,334
Liabilities		
Current liabilities:		
Accounts payable	\$ 95	\$ 93
Advance from customers	457	489
Accrued payroll and other accruals	20	14
Taxes payable	2,550	2,521
Other current liabilities	586	546
Total current liabilities	3,708	3,663
Total Liabilities	\$ 3,708	\$ 3,663

Liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company’s general assets.

Summarized below is the information related to the financial performance of the VIEs reported in the Company’s condensed consolidated statements of operations and comprehensive loss for the nine and three months ended September 30, 2025 and 2024, respectively:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025	2024	2025	2024
	US\$('000)	US\$('000)	US\$('000)	US\$('000)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 49	\$ 9,740	\$ -	\$ 539
Cost of revenues	(40)	(9,674)	(1)	(543)
Total operating expenses	(64)	(1,204)	13	(92)
Net profit/(loss)	(54)	(1,167)	17	(100)

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. Liquidity and Capital Resources

The Company incurred operating losses and may continue to incur operating losses, and as a result, to generate negative cash flows as the Company implements its future business plan. For the nine months ended September 30, 2025, the Company incurred a loss from operations of US\$1.41 million and a net operating cash outflow of US\$0.78 million. As of September 30, 2025, the Company had cash and cash equivalents of US\$1.76 million and working capital of US\$2.45 million, compared with approximately US\$0.81 million and US\$3.33 million as of December 31, 2024, respectively.

The Company plans to optimize its internet resources cost investment strategy to improve the gross profit margin of its core business and to further strengthen the accounts receivables collection management, and negotiate with major suppliers for more favorable payment terms, all of which will help to substantially increase the cashflows from operations. In addition, as we wind down our search engine marketing distribution service in the PRC, we are seeing an improvement in our gross margins as well as significantly reduced operating expenses that will improve our cash flow and liquidity in the next 12 months. Also, in order to further develop our core business, i.e., our Internet advertising and related marketing service business, broaden and diversify the online marketing channels for customers, reinforce our industry competitive advantage, we are actively seeking to acquire businesses and build teams with AI capabilities and proprietary intellectual properties that enable more accurate marketing solutions and cost efficient content creation. On March 7, 2025, ChinaNet Investment Holding Limited (the "Purchaser"), a British Virgin Islands company and an indirect wholly-owned subsidiary of ZW Data Action Technologies Inc. acquired the 10,000 shares of Rahula Digital Media (HK) Limited, a Hong Kong company (the "Rahula") that Vickie Chan, an individual (the "Seller") owned, pursuant to that certain Share Sale and Purchase Agreement, dated March 3, 2025, entered into by and between the Purchaser and the Seller for a total consideration of US\$0.6 million. Rahula owns 100% equity interest in Shenzhen Shangye Business Consulting Services Co., Ltd., a People's Republic of China company (together as "Rahula Group"). Rahula Group is principally engaged in the development and monetization of intellectual property rights on agent management, marketing data management, targeted marketing and mass marketing systems and technologies.

In addition, for the next 12 months from the date hereof, we anticipate to generate additional cash inflows and/or improve our liquidity through the following: (1) our short-term working capital loans provided to unrelated parties will mature within the next 12 months that we anticipate collecting these loan principals and the related interest income within the next 12 months; (2) if at any time we anticipate insufficiency of our working capital, we can apply for revolving credit facility from commercial banks in the PRC to supplement our short-term liquidity deficit. We have not experienced any difficulties in obtaining such credit facility before, and this could result in fixed obligations and incremental cost of interest; (3) equity financing; (4) we plan to reduce our operating costs through optimizing the personnel structure among different offices and reduce our office leasing spaces, if needed. This may incur incremental costs related to employee layoff compensation and contract termination penalty.

Based on the above discussion, we believe that our current cash and cash equivalents, our anticipated new cash flows from operations and investing and financing activities, and our other liquidity improving measures will ensure we have sufficient cash to meet our obligations as they become due within the next 12 months.

4. Summary of significant accounting policies

a) Basis of presentation

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

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The unaudited condensed consolidated interim financial information as of September 30, 2025 and for the nine and three months ended September 30, 2025 and 2024 have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures, which are normally included in complete consolidated financial statements prepared in accordance with U.S. GAAP, have been omitted pursuant to those rules and regulations. The unaudited condensed consolidated interim financial information should be read in conjunction with the financial statements and the notes thereto, included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024, previously filed with the SEC (the “2024 Form 10-K”) on April 15, 2025.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the Company’s condensed consolidated financial position as of September 30, 2025, its condensed consolidated results of operations for the nine and three months ended September 30, 2025 and 2024, and its condensed consolidated cash flows for the nine months ended September 30, 2025 and 2024, as applicable, have been made. The interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

b) Principles of consolidation

The unaudited condensed consolidated interim financial statements include the accounts of all the subsidiaries and VIEs of the Company. All transactions and balances between the Company and its subsidiaries and VIEs have been eliminated upon consolidation.

c) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of these consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company continually evaluates these estimates and assumptions based on the most recently available information, historical experience and various other assumptions that the Company believes to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

d) Foreign currency translation

The exchange rates used to translate amounts in Reminbi, the legal currency of mainland China (“RMB”) into US\$ for the purposes of preparing the condensed consolidated financial statements are as follows:

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Balance sheet items, except for equity accounts	7.1055	7.1884
	<u>Nine Months Ended September 30,</u>	<u>2025</u>
	<u>2025</u>	<u>2024</u>
Items in the statements of operations and comprehensive loss	7.1642	7.1092
	<u>Three Months Ended September 30,</u>	<u>2025</u>
	<u>2025</u>	<u>2024</u>
Items in the statements of operations and comprehensive loss	7.1292	7.1169

No representation is made that the RMB amounts could have been, or could be converted into US\$ at the above rates.

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

e) Current expected credit losses

The allowance for credit losses reflects the Company's current estimate of credit losses expected to be incurred over the life of the related financial assets. The allowance for credit losses is presented as a valuation account that is deducted from the amortized cost basis of financial asset(s) to present the net amount expected to be collected on the financial asset(s).

The Company considers various factors in establishing, monitoring, and adjusting its allowance for credit losses, including the aging and aging trends, customer/other parties' creditworthiness and specific exposures related to particular customers/other parties. The Company also monitors other risk factors and forward-looking information, such as country specific risks and economic factors that may affect a customer/other party's ability to pay in establishing and adjusting its allowance for credit losses. The Company assesses collectability by reviewing the financial assets on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers/other parties with known disputes or collectability issues. Accounts receivable and short-term loans to unrelated parties are written off after all collection efforts have ceased.

The following tables summarized the movements of the Company's credit losses for the nine and three months ended September 30, 2025 and 2024, respectively:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025	2024	2025	2024
	US\$('000) (Unaudited)	US\$('000) (Unaudited)	US\$('000) (Unaudited)	US\$('000) (Unaudited)
<u>Credit loss for accounts receivable:</u>				
Balance as of beginning of the period	4,817	3,987	5,145	4,657
Provision for/(reverse of) credit loss during the period	306	800	(3)	106
Written off during the period	-	-	-	-
Exchange translation adjustments	52	52	33	76
Balance as of end of the period	<u>5,175</u>	<u>4,839</u>	<u>5,175</u>	<u>4,839</u>

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025	2024	2025	2024
	US\$('000) (Unaudited)	US\$('000) (Unaudited)	US\$('000) (Unaudited)	US\$('000) (Unaudited)
<u>Credit loss for other current assets:</u>				
Balance as of beginning of the period	1,513	1,559	1,890	1,512
Provision for/(reverse of) credit loss during the period	380	(35)	3	12
Written off during the period	-	-	-	-
Exchange translation adjustments	-	-	-	-
Balance as of end of the period	<u>1,893</u>	<u>1,524</u>	<u>1,893</u>	<u>1,524</u>

f) Reverse stock split

In 2024, the Board of Directors of the Company approved a reverse stock split of the Company's issued and outstanding shares of common stock, par value \$0.001 per share (the "Common Stock") at a ratio of 1-for-4 (the "Reverse Stock Split"). The Reverse Stock Split became effective on September 30, 2024 (the "Effective Date"). As a result, the number of shares of the Company's authorized Common Stock was reduced from 50,000,000 shares to 12,500,000 shares and the issued and outstanding number of shares of the Common Stock was correspondingly decreased. The Reverse Stock Split has no effect on the par value of the Company's Common Stock or authorized shares of preferred stock. When the Reverse Stock Split became effective, each four shares of issued and outstanding Common Stock were converted into one newly issued and outstanding share of Common Stock. No fractional shares were issued in connection with the Reverse Stock Split. Any fractional shares of Common Stock that would have otherwise resulted from the Reverse Stock Split were rounded up to the nearest full share. No cash or other consideration was paid in connection with any fractional shares that would otherwise have resulted from the Reverse Stock Split. As a result of the Reverse Stock Split, 8,704,506 shares of Common Stock that were issued and outstanding at September 30, 2024 was reduced to 2,301,205 shares of Common Stock (taking into account the rounding of fractional shares).

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Except where otherwise specified, all number of shares, number of warrants, share prices, exercise prices and per share data in the consolidated financial statements and notes to the consolidated financial statements have been retroactively restated as if the Reverse Stock Split occurred at the beginning of the periods presented.

g) Revenue recognition

The following table present the Company's revenues disaggregated by products and services and timing of revenue recognition:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025	2024	2025	2024
	US\$('000) (Unaudited)	US\$('000) (Unaudited)	US\$('000) (Unaudited)	US\$('000) (Unaudited)
Internet advertising and related services				
--distribution of the right to use search engine marketing service	50	12,440	1	3,239
--Internet advertising and related marketing service	3,073	-	1,634	-
Blockchain-based SaaS services	615	750	-	-
IP Services	179		82	
Total revenues	\$ 3,917	\$ 13,190	\$ 1,717	\$ 3,239

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025	2024	2025	2024
	US\$('000) (Unaudited)	US\$('000) (Unaudited)	US\$('000) (Unaudited)	US\$('000) (Unaudited)
Revenue recognized over time	229	12,440	83	3,239
Revenue recognized at a point in time	3,688	750	1,634	-
Total revenues	\$ 3,917	\$ 13,190	\$ 1,717	\$ 3,239

Contract balances

The table below summarized the movement of the Company's contract liabilities for the nine months ended September 30, 2025:

	Contract liabilities US\$('000)
Balance as of January 1, 2025	489
Exchange translation adjustment	6
Revenue recognized from beginning contract liability balances	(38)
Advances received from customers related to unsatisfied performance obligations	142
Balance as of September 30, 2025(Unaudited)	599

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Advance from customers related to unsatisfied performance obligations are generally refundable. Refund of advance from customers were insignificant for the nine and three months ended September 30, 2025 and 2024.

For the nine and three months ended September 30, 2025 and 2024, there were no revenue recognized from performance obligations that were satisfied in prior periods.

h) Asset acquisition of Rahula Group

Acquisitions that do not meet the definition of a business under ASC 805 are accounted for as an asset acquisition, utilizing a cost accumulation model. Assets acquired and liabilities assumed are recognized at cost, which is the consideration the acquirer transfers to the seller, including direct transaction costs, on the acquisition date. The cost of the acquisition is then allocated to the assets acquired based on their relative fair values. Goodwill is not recognized in an asset acquisition. Direct transaction costs include those third-party costs that can be directly attributable to the asset acquisition and would not have been incurred absent the acquisition transaction.

Acquisition of Rahula Digital Media (HK) Limited.

On March 7, 2025, ChinaNet Investment Holding Limited (the “Purchaser”), a British Virgin Islands company and an indirect wholly-owned subsidiary of ZW Data Action Technologies Inc. acquired the 10,000 shares of Rahula Digital Media (HK) Limited, a Hong Kong company (the “Rahula”) that Vickie Chan, an individual (the “Seller”) owned, pursuant to that certain Share Sale and Purchase Agreement, dated March 3, 2025, entered into by and between the Purchaser and the Seller for a total consideration of US\$0.6 million. Rahula owns 100% equity interest in Shenzhen Shangye Business Consulting Services Co., Ltd., a People’s Republic of China company (together as “Rahula Group”). Rahula Group is principally engaged in the development and monetization of intellectual property rights on agent management, marketing data management, targeted marketing and mass marketing systems and technologies.

The Company determined this transaction represented an asset acquisition as substantially all of the value was in the intellectual property intangible assets of Rahula Group.

The acquisition method of accounting includes the establishment of a net deferred tax asset or liability resulting from book tax basis differences related to assets acquired and liabilities assumed on the date of acquisition. When an acquisition of a group of assets is purchased in a transaction that is not accounted for as a business combination under ASC 805, “Business Combinations”, a difference between the book and tax bases of the assets arises. ASC 740, “Income Taxes,” requires the use of simultaneous equations to determine the assigned value of the asset and the related deferred tax asset or liability. As goodwill is not recognized in an asset acquisition, recognizing deferred tax assets or liabilities for temporary differences in an asset acquisition results in adjusting the carrying amount of the acquired assets and liabilities.

On March 7, 2025, upon the Purchaser’s acquisition of the outstanding common stock of Rahula, the Rahula intangible asset balance recorded on the acquisition date and included in intangible assets was as follows:

	As of March 7, 2025
	US\$(’000)
	(Unaudited)
Rahula Group intangible asset recorded on acquisition date:	
Intangible asset acquired (a)	707
Deferred tax liability generated from the Rahula asset	(107)
Total consideration paid	600

(a) This intangible asset balance will be amortized over the remaining useful life of 3 years as of the March 7, 2025 acquisition date.

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

i) Lease

As of September 30, 2025, operating lease right-of-use assets and total operating lease liabilities recognized was approximately US\$0.06 million and US\$0.05 million, respectively.

Maturity of operating lease liabilities

	Operating leases
	US\$('000)
	(Unaudited)
Three months ending December 31, 2025	13
Year ending December 31, -2026	50
Total undiscounted lease payments	63
Less: imputed interest	(2)
Total operating lease liabilities as of September 30, 2025	61
Including:	
Operating lease liabilities	48
Operating lease liabilities-Non current	13
	61

Operating lease expenses:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025	2024	2025	2024
	US\$('000)	US\$('000)	US\$('000)	US\$('000)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Long-term operating lease contracts	37	22	12	-
Short-term operating lease contracts	4	34	2	4
Total	\$ 41	\$ 56	\$ 14	\$ 4

Supplemental information related to operating leases:

	Nine Months Ended September 30,	
	2025	2024
	US\$('000)	US\$('000)
	(Unaudited)	(Unaudited)
Operating cash flows used for operating leases (US\$'000)	36	25
Right-of-use assets obtained in exchange for new lease liabilities (US\$'000)	87	-
Weighted-average remaining lease term (years)	1.25	-
Weighted-average discount rate	6%	-

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

5. Accounts receivable, net

	September 30, 2025	December 31, 2024
	US\$('000)	US\$('000)
	(Unaudited)	
Accounts receivable	6,277	6,431
Allowance for credit loss	(5,175)	(4,817)
Accounts receivable, net	1,102	1,614

All of the accounts receivable are non-interest bearing. The Company maintains an estimated allowance for credit losses to reduce its accounts receivable to the amount that it believes will be collected. The Company evaluates its accounts receivable on a collective (pool) basis and determines the allowance for credit loss based on aging data, historical collection experience, customer specific facts, current economic conditions and reasonable and supportable forecasts of future economic conditions. For the nine and three months ended September 30, 2025, the Company provided approximately US\$0.31 million and reversed US\$0.003 million credit losses for its accounts receivable, respectively. For the nine and three months ended September 30, 2024, the Company provided approximately US\$0.80 million and US\$0.11 million credit losses for its accounts receivable, respectively.

6. Prepayments and deposit to suppliers

	September 30, 2025	December 31, 2024
	US\$('000)	US\$('000)
	(Unaudited)	
Deposits to advertising resources providers	530	612
Prepayments to advertising resources providers	3,756	2,996
Deposits for investing activities	-	152
Other deposits and prepayments	441	748
	4,727	4,508

7. Other current assets

	September 30, 2025	December 31, 2024
	US\$('000)	US\$('000)
	(Unaudited)	
Short-term loans to unrelated parties	2,653	3,606
Short-term loans interest receivables	115	138
Staff advances for business operations	3	8
Total other current assets	2,771	3,752
Allowance for credit loss	(1,893)	(1,513)
Other current assets, net	878	2,239

As of September 30, 2025, the Company provided unsecured, interest-bearing short-term loans to two unrelated parties, which were set forth as below. These short-term loans were recorded as other current assets.

ZW DATA ACTION TECHNOLOGIES INC.
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On January 5, 2022, the Company provided a short-term working capital loan of US\$2.5 million to an unrelated party, which matured on May 5, 2022. The loan was unsecured and borne a fixed annualized interest rate of 7.5%. In April 2022, as agreed by both parties, the unrelated party repaid a portion of the loan principal of US\$1.02 million, together with a loan interest of US\$0.06 million for the period from January 5, 2022 through April 30, 2022, based on the loan principal of US\$2.5 million. The Company extended the term of the remaining loan principal of US\$1.48 million to April 30, 2023 with a revised fixed annualized interest rate of 5%. In October 2022 and February 2023, the Company received loan interests of US\$0.05 million in the aggregate for the period from May 1, 2022 through December 31, 2022. On April 30, 2023, the Company further extended the term of this loan to October 31, 2023. In May 2023, the Company received a loan interest of US\$0.02 million for the period from January 1, 2023 through April 30, 2023. In July 2023, the Company received a loan interest of US\$0.02 million for the period from May 1, 2023 through July 31, 2023. On October 31, 2023, the Company agreed to further extend the term of this loan to September 30, 2024. On May 29, 2024, the Company received payment of approximately US\$0.13 million, of which approximately US\$0.06 million settled outstanding interest and approximately US\$0.07 million settled the loan principal. On September 30, 2024, the Company agreed to further extend the term of this loan to March 31, 2025. On March 17, 2025, the Company received payment of approximately US\$0.35 million, of which approximately US\$0.06 million settled outstanding interest and approximately US\$0.29 million settled the loan principal. On March 27, 2025, the Company received payment of approximately US\$0.21 million, of which approximately US\$0.002 million settled outstanding interest and approximately US\$0.21 million settled the loan principal. On March 31, 2025, the Company agreed to further extend the term of this loan to March 31, 2026.

On January 11, 2023, the Company provided a short-term loan of US\$2.0 million to another unrelated party. The loan is unsecured and bears a fixed annualized interest rate of 12%. The original maturity date of this loan was July 17, 2023. On July 1, 2023, the Company extended the term of this loan for a six-month period to January 18, 2024. Subsequently, on January 8, 2024, the Company further agreed to extend the term of the loan to January 18, 2025. And on January 9, 2025, the Company agreed to extend the loan to January 18, 2026. For the year ended December 31, 2024, the Company received payment of US\$0.77 million, of which approximately US\$0.35 million settled outstanding interest and approximately US\$0.42 million settled the loan principal. On January 27, 2025, the Company received payment of approximately US\$0.57 million, of which approximately US\$0.11 million settled outstanding interest and US\$0.46 million settled the loan principal.

The Company evaluates its short-term loans provided to unrelated parties for expected credit losses on a regular basis, and maintains an estimated allowance for credit losses to reduce its short-term loans to the amount that it believes will be collected. The Company evaluates its short-term loans on an individual basis and determines the allowance for credit loss based on creditworthiness of the borrowers, aging information, past transaction history with the borrowers and their current condition, as well as the current economic conditions and reasonable and supportable forecasts of future economic conditions. For the nine and three months ended September 30, 2025, the Company provided US\$0.38 million and provided US\$0.003 million credit losses on short-term loans provided to unrelated parties, respectively.

As of September 30, 2024, other current assets also included a US\$0.62 million remaining outstanding balance of a short-term loan that the Company provided to an unrelated party, Digital Sun Ventures Limited, a Hong Kong-based company (“Digital Sun”). In March 2021, the Company and Digital Sun reached an oral agreement, pursuant to which the Company provided a short-term loan of US\$1.65 million to Digital Sun. The loan has a one-year term. The loan is unsecured, interest free and is required to be repaid in lump sum at maturity by March 2022. The Company provided this unsecured and interest free loan to Digital Sun in consideration of the promises and claims made by Digital Sun’s management that Digital Sun has close connections with international well-known media companies seeking for strategic cooperation partners in China, and Digital Sun will facilitate building strategic business partnerships among the Company and these media companies. As of March 31, 2022, Digital Sun had repaid US\$1.03 million of this loan and defaults on the loan balance of US\$0.62 million. The Company attempted to collect the outstanding loan balance. In June 2022, the Company fully allowed the outstanding loan balance of US\$0.62 million based on the Company’s assessment of the collectability of this outstanding balance. The Company had engaged a law firm and prepared and sent a legal letter to Digital Sun in March 2023, and the Company intends to take further actions to safeguard its rights against the default, including but not limited to, arranging meetings with the management of Digital Sun to negotiate the repayment plan in person and filing a lawsuit against Digital Sun after all other means of collection have been exhausted. As of the date hereof, the Company has not received any formal responses from Digital Sun.

8. Long-term investments

	Amount
	US\$('000)
Balance as of January 1, 2025	397
Exchange translation adjustment	-
Cash investments during the year	-
Disposed during the year	-
Impairment losses provided during the year	-
Balance as of September 30, 2025 (Unaudited)	397

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As of September 30, 2025, except for long-term investments which were fully impaired, the Company beneficially owned a 7.69%, 9.9% and 9.9% equity interest in each New Business Holdings Limited (“New Business”), Hunan Yong Fu Xiang Health Management Co., Ltd (“Yong Fu Xiang”) and Wuhan Ju Liang Media Co., Ltd. (“Wuhan Ju Liang”), respectively.

The Company measures each investment which does not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the Company.

For the nine months ended September 30, 2024, the Company provided \$0.002 million in impairment loss against its long-term investments.

9. Property and equipment, net

	September 30, 2025	December 31, 2024
	US\$('000)	US\$('000)
	(Unaudited)	
Vehicles	447	442
Office equipment	869	834
Electronic devices	569	562
Leasehold improvement	39	-
Property and equipment, cost	1,924	1,838
Less: accumulated depreciation	(1,774)	(1,722)
Property and equipment, net	150	116

Depreciation expenses for the nine months ended September 30, 2025 and 2024 were approximately US\$0.03 million and US\$0.08 million, respectively. Depreciation expenses for the three months ended September 30, 2025 and 2024 were approximately US\$0.01 million and US\$0.02 million, respectively.

10. Intangible assets, net

Items	As of September 30, 2025 (Unaudited)			
	Gross Carrying Value	Accumulated Amortization	Impairment	Net Carrying Value
	US\$('000)	US\$('000)	US\$('000)	US\$('000)
Intangible assets subject to amortization:				
--10 years life:				
Cloud compute software technology	1,306	(906)	(400)	-
Licensed products use right	1,204	(496)	(708)	-
--5 years life:				
Internet Ad tracking system	1,160	(637)	(523)	-
Live streaming technology	1,500	(625)	(875)	-
--3 years life:				
Rahula’s Intellectual Property	707	(131)	-	576
Blockchain Integrated Framework	4,038	(3,028)	(1,010)	-
Bo!News application	338	(113)	(225)	-
Other computer software	110	(110)	-	-
Total	\$ 10,363	\$ (6,046)	\$ (3,741)	\$ 576

ZW DATA ACTION TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Items	As of December 31, 2024			
	Gross Carrying Value	Accumulated Amortization	Impairment	Net Carrying Value
	US\$('000)	US\$('000)	US\$('000)	US\$('000)
Intangible assets subject to amortization:				
--10 years life:				
Cloud compute software technology	1,291	(895)	(396)	-
Licensed products use right	1,204	(496)	(708)	-
--5 years life:				
Internet Ad tracking system	1,160	(637)	(523)	-
Live streaming technology	1,500	(625)	(875)	-
--3 years life:				
Blockchain Integrated Framework	4,038	(3,028)	(1,010)	-
Bo!News application	334	(111)	(223)	-
Other computer software	109	(109)	-	-
Total	\$ 9,636	\$ (5,901)	\$ (3,735)	\$ -

Amortization expenses for the nine months ended September 30, 2025 and 2024 were approximately US\$0.13 million and US\$0.63 million, respectively. Amortization expenses for the three months ended September 30, 2025 and 2024 were approximately US\$0.06 million and US\$0.21 million, respectively.

Based on the adjusted carrying value of the finite-lived intangible assets after the deduction of the impairment losses, which has a weighted average remaining useful life of 2.44 years as of September 30, 2025, and assuming no further subsequent impairment of the underlying intangible assets, the estimated future amortization expenses is approximately US\$0.06 million for the year ending December 31, 2025, approximately US\$0.24 million for the year ending December 31, 2026, approximately US\$0.24 million for the year ending December 31, 2027 and approximately US\$0.05 million for the year ending December 31, 2028.

11. Accrued payroll and other accruals

	September 30, 2025	December 31, 2024
	US\$('000) (Unaudited)	US\$('000)
Accrued payroll and staff welfare	48	71
Accrued operating expenses	107	486
	155	557

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12. Taxation

As of September 30, 2025 and December 31, 2024, taxes payable consists of:

	September 30, 2025	December 31, 2024
	US\$('000)	US\$('000)
	(Unaudited)	
Turnover tax and surcharge payable	1,262	1,247
Enterprise income tax payable	1,946	1,905
Total taxes payable	3,208	3,152

For the nine and three months ended September 30, 2025 and 2024, the Company's income tax benefit/(expenses) consisted of:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025	2024	2025	2024
	US\$('000)	US\$('000)	US\$('000)	US\$('000)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current	-	-	-	-
Deferred	(1)	4	(1)	-
Income tax benefit/(expenses)	(1)	4	(1)	-

The Company's deferred tax assets as of September 30, 2025 and December 31, 2024 were as follows:

	September 30, 2025	December 31, 2024
	US\$('000)	US\$('000)
	(Unaudited)	
Tax effect of net operating losses carried forward	11,227	11,035
Operating lease cost	-	-
Impairment on long-term investments	104	104
Impairment on intangible assets	570	570
Bad debts provision	1,557	1,427
Valuation allowance	(13,458)	(13,136)
Deferred tax assets, net	-	-

The U.S. holding company has incurred aggregate net operating losses ("NOLs") of approximately US\$34.8 million and US\$34.18 million as of September 30, 2025 and December 31, 2024, respectively. The NOLs carryforwards as of December 31, 2017 gradually expire over time, the last of which expires in 2037. NOLs incurred after December 31, 2017 will no longer be available to carry back but can be carried forward indefinitely, subject to an annual limit of 80% on the amount of taxable income that can be offset by NOLs arising in tax years ending after December 31, 2017. The Company maintains a full valuation allowance against its net U.S. deferred tax assets, since due to uncertainties surrounding future utilization, the Company estimates there will not be sufficient future earnings to utilize its U.S. deferred tax assets.

The NOLs carried forward incurred by the Company's PRC subsidiaries and VIEs were approximately US\$11.04 million and US\$10.87 million as of September 30, 2025 and December 31, 2024, respectively. The losses carryforwards gradually expire over time, the last of which will expire in 2028. The related deferred tax assets were calculated based on the respective NOLs incurred by each of the PRC subsidiaries and VIEs and the respective corresponding enacted tax rate that will be in effect in the period in which the losses are expected to be utilized.

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The Company recorded approximately US\$13.46 million and US\$13.14 million valuation allowance as of September 30, 2025 and December 31, 2024, respectively, because it is considered more likely than not that a portion of the deferred tax assets will not be realized through sufficient future earnings of the entities to which the operating losses related.

For the nine and three months ended September 30, 2025, the Company recorded approximately US\$0.27 million and US\$0.03 million deferred tax valuation allowance, respectively. For the nine and three months ended September 30, 2024, the Company recorded approximately US\$0.72 million and US\$0.42 million deferred tax valuation allowance, respectively.

13. Long-term borrowing from a related party

Long-term borrowing from a related party is a non-interest bearing loan from a related parity of the Company relating to the original paid-in capital contribution in the Company's wholly-owned subsidiary Rise King Century Technology Development (Beijing) Co., Ltd. ("Rise King WFOE"), which is not expected to be repaid within one year.

14. Restricted net assets

The Company is a Nevada holding company with operations primarily conducted in China through its PRC subsidiaries, the consolidated VIEs and VIEs' subsidiaries. The Company's ability to pay dividends to U.S. investors may depend on receiving distributions from its PRC subsidiaries and settlement of the amounts owed under the VIE agreements from the consolidated VIEs. Any limitation on the ability of the Company's PRC subsidiaries and the consolidated VIEs to make payments to the Company, or the tax implications of making payments to the Company, could have a material adverse effect on its ability to pay dividends to the U.S. investors.

The PRC regulations currently permit payment of dividends only out of accumulated profits, as determined in accordance with PRC accounting standards and regulations. The Company's PRC subsidiaries, the consolidated VIEs and their subsidiaries in China are also required to set aside at least 10% of their respective after-tax profit based on the PRC accounting standards and regulations each year to the statutory surplus reserve, until the balance in the reserve reaches 50% of the registered capital of the respective PRC entities. In accordance with these PRC laws and regulations, the Company's PRC subsidiaries, the consolidated VIEs and their subsidiaries are restricted in their ability to transfer a portion of their net assets to the Nevada holding company. As of September 30, 2025 and December 31, 2024, net assets restricted in the aggregate, that are included in the Company's consolidated net assets, were approximately US\$13.16 million and US\$13.23 million, respectively. Appropriations to the enterprise expansion fund and staff welfare and bonus fund of a foreign-invested PRC entity and appropriation to the discretionary surplus reserve of other PRC entities are at the discretion of the board of directors. To date, none of the Company's PRC subsidiaries, the consolidated VIEs and their subsidiaries appropriated any of these non-mandatory funds and reserves. Furthermore, if these entities incur debt on their own in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments.

Under the PRC Enterprise Income Tax ("EIT") Law and related regulations, dividends, interests, rent or royalties payable by a foreign-invested enterprise to its immediate holding company outside China are subject to a 10% withholding tax. A lower withholding tax rate will be applied if there is a tax treaty arrangement between mainland China and the jurisdiction of the foreign holding company. Hong Kong has a tax arrangement with mainland China that provides for a 5% withholding tax on dividends subject to certain conditions and requirements, such as the requirements that the Hong Kong enterprise owns at least 25% of the PRC enterprise distributing the dividend at all times within the 12-month period immediately preceding the distribution of dividends and provides that the recipient can demonstrate it is a Hong Kong tax resident and it is the beneficial owner of the dividends. The PRC government adopted regulations in 2018 which stipulate that in determining whether a non-resident enterprise has the status as a beneficial owner, comprehensive analysis shall be conducted based on the factors listed therein and the actual circumstances of the specific case shall be taken into consideration. Specifically, it expressly excludes an agent or a designated payee from being considered as a "beneficial owner". The Company owns its PRC subsidiaries through China Net HK. China Net HK currently does not hold a Hong Kong tax resident certificate from the Inland Revenue Department of Hong Kong, there is no assurance that the reduced withholding tax rate will be available for the Company. If China Net HK is not considered to be the "beneficial owner" of the dividends by the Chinese local tax authority, any dividends paid to it by the Company's PRC subsidiaries would be subject to a withholding tax rate of 10%.

There are no restrictions for the consolidated VIEs to settle the amounts owed under the VIE agreements to Rise King WFOE. However, arrangements and transactions among affiliated entities may be subject to audit or challenge by the PRC tax authorities. If at any time the VIE agreements and the related fee structure between the consolidated VIEs and Rise King WFOE is determined to be non-substantive and disallowed by Chinese tax authorities, the consolidated VIEs could, as a matter of last resort, make a non-deductible transfer to Rise King WFOE for the amounts owed under the VIE agreements. This would result in such transfer being non-deductible expenses for the consolidated VIEs but still taxable income for Rise King WFOE. If this happens, it may increase the Company's tax burden and reduce its after-tax income in the PRC, and may materially and adversely affect its ability to make distributions to the holding company. The Company's management is of the view that the likelihood that this scenario would happen is remote.

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The Company's PRC subsidiaries generate all of their revenue in Renminbi, Renminbi is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of the Company's PRC subsidiaries to pay dividends/make distributions to the Company. The Chinese government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in availability of foreign currency may then restrict the ability of the Company's PRC subsidiaries to remit sufficient foreign currency to the Nevada holding company for the holding company to pay dividends to the U.S. investors. Renminbi is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and foreign debt. Currently, the Company's PRC subsidiaries may purchase foreign currency for settlement of current account transactions, including payment of dividends to the Nevada holding company, without the approval of the State Administration of Foreign Exchange of China (the "SAFE") by complying with certain procedural requirements. However, the relevant Chinese governmental authorities may limit or eliminate the Company's ability to purchase foreign currencies in the future for current account transactions. The Chinese government may continue to strengthen its capital controls, and additional restrictions and substantial vetting processes may be instituted by the SAFE for cross-border transactions falling under both the current account and the capital account. Any existing and future restrictions on currency exchange may limit the Company's ability to utilize revenue generated in Renminbi to pay dividends in foreign currencies to holders of the Company's securities. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant Chinese governmental authorities. This could affect the Company's ability to obtain foreign currency through debt or equity financing for its PRC subsidiaries.

To date, none of the Company's subsidiaries has made any distribution of earnings or issued any dividends to their respective shareholder in or outside of China, or to the Nevada holding company, and the Nevada holding company has never declared or paid any cash dividends to U.S. investors.

The Company does not have any present plan to make any distribution of earnings/issue any dividends directly or indirectly to its Nevada holding company or pay any cash dividends on its common stock in the foreseeable future, because the Company currently intend to retain most, if not all, of its available funds and any future earnings to operate and expand the Company's business.

15. Employee defined contribution plan

Full time employees of the Company in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the PRC subsidiaries of the Company make contributions to the government for these benefits based on certain percentages of the employees' salaries. The employee benefits were expensed as incurred. The Company has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits were approximately US\$0.04 million and US\$0.07 million for the nine months ended September 30, 2025 and 2024, respectively. The total amounts for such employee benefits were approximately US\$0.01 million and US\$0.02 million for the three months ended September 30, 2025 and 2024, respectively.

16. Concentration of risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and deposits and loans to unrelated parties. As of September 30, 2025, 90% of the Company's cash and cash equivalents were held by major financial institutions located in China, the remaining 10% was held by financial institutions located in the United States of America. The Company believes that these financial institutions located in China and the United States of America are of high credit quality. For accounts receivable and deposits and loans to unrelated parties, the Company extends credit based on an evaluation of the customer's or other parties' financial condition, generally without requiring collateral or other security. In order to minimize the credit risk, the Company delegated a team responsible for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Further, the Company reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate allowances are made for doubtful accounts. In this regard, the Company considers that the Company's credit risk for accounts receivable and deposits and loans to unrelated parties are significantly reduced.

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Concentration of customers

The following tables summarized the information about the Company's concentration of customers for the nine and three months ended September 30, 2025 and 2024, respectively:

	Customer A	Customer B	Customer C	Customer D	Customer E	Customer F	Customer G
Nine Months Ended September 30, 2025							
Revenues, customer concentration risk	25%	16%	30%	23%	-	-	-
Three Months Ended September 30, 2025							
Revenues, customer concentration risk	-	-	42%	54%	-	-	-
Nine Months Ended September 30, 2024							
Revenues, customer concentration risk	-	-	-	*	*	*	-
Three Months Ended September 30, 2024							
Revenues, customer concentration risk	-	-	-	28%	27%	28%	-
As of September 30, 2025							
Accounts receivable, customer concentration risk	-	-	-	84%	-	-	16%
As of December 31, 2024							
Accounts receivable, customer concentration risk	-	-	-	-	-	42%	56%

* Less than 10%.

- No transaction incurred for the reporting period/no balance existed as of the reporting date.

Concentration of suppliers

The following tables summarized the information about the Company's concentration of suppliers for the nine and three months ended September 30, 2025 and 2024, respectively:

	Supplier A	Supplier B	Supplier C	Supplier D	Supplier E	Supplier F
Nine Months Ended September 30, 2025						
Cost of revenues, supplier concentration risk	49%	16%	31%	-	-	*
Three Months Ended September 30, 2025						
Cost of revenues, supplier concentration risk	54%	-	42%	-	-	-
Nine Months Ended September 30, 2024						
Cost of revenues, supplier concentration risk	19%	-	-	34%	12%	11%
Three Months Ended September 30, 2024						
Cost of revenues, supplier concentration risk	76%	-	-	*	*	*

* Less than 10%.

- No transaction incurred for the reporting period.

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17. Commitments and contingencies

In June 2023, the Company obtained a 9.9% equity interest in Wuhan Ju Liang, through subscription of a RMB0.99 million (approximately US\$0.14 million) registered capital of the entity in cash, which amount was committed to be paid up before August 1, 2025.

The Company may from time to time become a party to various legal or administrative proceedings arising in its ordinary course of business. The Company evaluates the status of each legal matter and assesses the potential financial exposure. If the potential loss from any legal proceedings or litigation is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss. Significant judgment is required to determine the probability of a loss and whether the amount of the loss is reasonably estimated. As of the date hereof, based on the information currently available, the Company believes that the loss contingencies that may arise as a result of currently pending legal proceedings are not reasonably likely to have a material adverse effect on the Company's business, results of operations, financial condition, and cash flows.

18. Segment reporting

The Company follows ASC Topic 280 "Segment Reporting", which requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and evaluating their performance. Reportable operating segments include components of an entity about which separate financial information is available and which operating results are regularly reviewed by the chief operating decision maker ("CODM"), the Company's Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess each operating segment's performance.

Nine Months Ended September 30, 2025 (Unaudited)

	Internet Ad and related service	IP Services	Blockchain technology	Corporate	Inter-segment and reconciling item	Total
	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)
Revenues	3,123	179	615	-	-	3,917
Cost of revenues	2,921	131	560	-	-	3,612
Total operating expenses	269	-	-	1,450	-	1,719
Depreciation and amortization expense included in cost of revenues and total operating expenses	16	131	-	16	-	163
Operating income/(loss)	(67)	48	55	(1,450)	-	(1,414)
Expenditure for long-term assets	-	600	-	65	-	665
Net income/(loss)	(70)	48	55	(1,308)	-	(1,275)
Total assets-September 30, 2025	7,857	576	55	34,210	(33,048)	9,650
Total assets-December 31, 2024	7,627	-	-	34,405	(32,346)	9,686

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Three Months Ended September 30, 2025 (Unaudited)

	Internet Ad and related service	IP Services	Blockchain technology	Corporate	Inter-segment and reconciling item	Total
	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)
Revenues	1,635	82	-	-	-	1,717
Cost of revenues	1,559	60	-	-	-	1,619
Total operating expenses	(34)	-	-	285	-	251
Depreciation and amortization expense included in cost of revenues and total operating expenses	4	60	-	8	-	72
Operating income/(loss)	109	22	(1)	(283)	-	(153)
Net income/(loss)	110	22	(1)	(239)	-	(108)

Nine Months Ended September 30, 2024 (Unaudited)

	Internet Ad and related service	IP Services	Blockchain technology	Corporate (1)	Inter-segment and reconciling item	Total
	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)
Revenues	12,440	-	750	-	-	13,190
Cost of revenues	12,104	-	631	-	-	12,735
Total operating expenses	926	-	-	2,744	-	3,670
Depreciation and amortization expense included in cost of revenues and total operating expenses	23	-	631	59	-	713
Operating income/(loss)	(591)	-	119	(2,743)	-	(3,215)
Impairment on long-term investments	-	-	-	(2)	-	(2)
Gain on disposal of subsidiaries	22	-	-	1	-	23
Net income/(loss)	(587)	-	119	(2,519)	-	(2,987)
Total assets-September 30, 2024	8,331	-	210	34,359	(31,893)	11,007
Total assets-December 31, 2023	7,966	-	841	35,011	(32,585)	11,233

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Three Months Ended September 30, 2024 (Unaudited)

	Internet Ad and related service	IP Services	Blockchain technology	Corporate (1)	Inter-segment and reconciling item	Total
	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)	US\$ (‘000)
Revenues	3,239	-	-	-	-	3,239
Cost of revenues	2,973	-	211	-	-	3,184
Total operating expenses	43	-	-	2,004	-	2,047
Depreciation and amortization expense included in cost of revenues and total operating expenses	7	-	211	19	-	237
Operating income/(loss)	222	-	(211)	(2,003)	-	(1,992)
Gain on disposal of subsidiaries	22	-	-	1	-	23
Net income/(loss)	241	-	(211)	(1,935)	-	(1,905)

(1) Since our Ecommerce O2O Ad and marketing services segment has been dormant and historical amounts were immaterial, the operations of this segment have been combined with the corporate segment for financial reporting purposes. Accordingly, the segment information for the nine and three months ended September 30, 2024, has been reclassified to conform to the presentation for the nine and three months ended September 30, 2025.

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19. Loss per share

Basic and diluted loss per share for each of the periods presented are calculated as follows (All amounts, except number of shares and per share data, are presented in thousands of U.S. dollars):

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025	2024	2025	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net loss	\$ (1,275)	\$ (2,987)	\$ (108)	\$ (1,905)
Net (income)/loss attributable to noncontrolling interests from continued operations	(1)	7	-	(9)
Net loss attributable to ZW Data Action Technologies Inc. (numerator for basic and diluted loss per share)	\$ (1,276)	\$ (2,980)	\$ (108)	\$ (1,914)
Weighted average number of common shares outstanding -Basic and diluted	2,449,564	1,802,582	2,659,629	1,805,289
Loss per share-Basic and diluted	\$ (0.52)	\$ (1.65)	\$ (0.04)	\$ (1.06)

20. Share-based compensation expenses

In August 2024, the Company granted and issued approximately 0.18 million fully-vested and non-forfeitable shares of the Company restricted common stock to business and financial consultants in exchange for their service for a 12-month period until August 2025. The Company valued these shares at the closing bid price of the Company's common stock on the grant date of these shares and recorded the related total cost of approximately US\$0.35 million as a prepayment upon the grant and issuance of these shares. Total compensation expenses amortized was approximately US\$0.35 million and US\$0.06 million for the nine and three months ended September 30, 2025.

The table below summarized share-based compensation expenses recorded for the nine and three months ended September 30, 2025 and 2024, respectively:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025	2024	2025	2024
	US\$('000) (Unaudited)	US\$('000) (Unaudited)	US\$('000) (Unaudited)	US\$('000) (Unaudited)
Sales and marketing expenses	-	-	-	-
General and administrative expenses	346	1,642	59	1,642
Research and development expenses	-	-	-	-
Total	346	1,642	59	1,642

21. Subsequent events

On October 28, 2025, CNET Technology Limited ("CNET Technology"), a wholly-owned subsidiary of ZW Data Action Technologies Inc. (the "Company") incorporated in the British Virgin Islands, entered into a purchase agreement with Fun Star Group INC., a British Virgin Islands company ("Fun Star") and Modest Attack Limited, a British Virgin Islands company ("Modest"), pursuant to which Fun Star will sell its 9.9% equity interests in Modest (the "Equity Interests") to CNET Technology. In consideration for the Equity Interests, CNET Technology shall pay Fun Star \$625,000 in cash and cause the Company to issue 150,000 shares of common stock of the Company, having a total value of \$375,000 and valued at \$2.50 per share, to Fun Star. The closing of the acquisition is subject to customary terms and conditions as set forth in the Acquisition Agreement. As of the date of this quarterly report, the closing of the acquisition has not taken place.

Except for the above mentioned matters, no other material events which are required to be adjusted or disclosed as of the date of this consolidated financial statements.

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

Forward-Looking Statements

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this interim report. Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The following discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words “expect,” “anticipate,” “intend,” “believe,” or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information set forth under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024. Readers are cautioned not to place undue reliance on these forward-looking statements.

The Public Company Accounting Oversight Board (the “PCAOB”) had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprived our investors of the benefits of such inspections.

Our auditor, ARK Pro CPA & Co. (“ARK”), the independent registered public accounting firm that issues the audit report in our SEC filings, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States, pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor is located in Hong Kong Special Administrative Region of the PRC (“Hong Kong”), China, a jurisdiction where the PCAOB was unable to conduct inspections and investigations before 2022. As a result, we and investors in our securities were deprived of the benefits of such PCAOB inspections. 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 China mainland and Hong Kong in 2022. However, the inability of the PCAOB to conduct inspections of auditors in Hong Kong in the past made it more difficult to evaluate the effectiveness of our independent registered public accounting firm’s audit procedures or quality control procedures as compared to auditors outside of China mainland and Hong Kong that have been subject to the PCAOB inspections, which could cause investors and potential investors in our securities to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our common stock may be delisted and prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, as amended by the Accelerating Holding Foreign Companies Accountable Act, if the PCAOB is unable to inspect or investigate completely auditors located in China mainland and Hong Kong. The delisting of our common stock or the threat of their being delisted could cause the value of our common stock to significantly decline or be worthless, and thus you could lose all or substantial portion of your investment.

On December 18, 2020, the Holding Foreign Companies Accountable Act, or the HFCAA, was signed into law that states if the SEC determines that issuers have filed audit reports issued by a registered public accounting firm that has not been subject to PCAOB inspection for three consecutive years beginning in 2021, the SEC shall prohibit its common stock from being traded on a national securities exchange or in the over-the-counter trading market in the U.S. Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, to prohibit securities of any registrant from being listed on any of the U.S. securities exchanges or traded over-the-counter if the auditor of the registrant’s financial statements is not subject to PCAOB inspection for two consecutive years, instead of three consecutive years as enacted in the HFCAA. On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements of the HFCAA, pursuant to which the SEC will identify an issuer as a “Commission-Identified Issuer” if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely, and will then impose a trading prohibition on an issuer after it is identified as a Commission-Identified Issuer for three consecutive years. On December 29, 2022, the Accelerating Holding Foreign Companies Accountable Act was signed into law.

On December 16, 2021, the PCAOB issued a HFCAA Determination Report (the “2021 PCAOB Determinations”) to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in China mainland and Hong Kong because of positions taken by the Chinese authorities, and our auditor was subject to this determination. On May 13, 2022, the SEC conclusively identified us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 10-K for the fiscal year ended December 31, 2021.

On August 26, 2022, the PCAOB signed a Statement of Protocol on agreement governing on inspections of audit firms based in mainland China and Hong Kong, with China Securities Regulatory Commission (“CSRC”) and Ministry of Finance (“MOF”) of the PRC, in regarding to governing inspections and investigations of audit firms headquartered in mainland China and Hong Kong (the “Agreement”). As stated in the Agreement, the Chinese authorities committed that the PCAOB has direct access to view complete audit work papers under its inspections or investigations and has sole discretion to the selected audit firms and audit engagements. The Agreement opens access for the PCAOB to inspect and investigate the registered public accounting firms in mainland China and Hong Kong completely. The PCAOB then thoroughly tested compliance with every aspect of the Agreement necessary to determine complete access. This included sending a team of PCAOB staff to conduct on-site inspections and investigations in Hong Kong over a nine-week period from September to November 2022.

On December 15, 2022, the PCAOB issued its 2022 HFCAA Determination Report to notify the SEC of its determination that the PCAOB was able to secure complete access to inspect and investigate PCAOB-registered public accounting firms headquartered in China mainland and Hong Kong completely in 2022. The PCAOB Board vacated its 2021 PCAOB Determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in China mainland and Hong Kong. For this reason, we do not expect to be identified as a Commission-Identified Issuer following the filing of our annual report for the fiscal year ended December 31, 2022. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in China mainland and Hong Kong is subject to uncertainty and depends on a number of factors out of our, and our auditor’s, control.

The PCAOB is continuing to demand complete access in China mainland and Hong Kong moving forward and is already 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 does not have to wait another year to reassess its determinations. Should the PRC authorities obstruct the PCAOB’s access to inspect or investigate completely in any way and at any point, the PCAOB will act immediately to consider the need to issue new determinations consistent with the HFCAA.

We cannot assure you that our auditor will not be determined as a register public accounting firm that the PCAOB is unable to inspect or investigate completely for two consecutive years because of positions taken by the Chinese authorities and/or any other causes in the future. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB in the future again determines that it is unable to inspect and investigate completely auditors in China mainland and Hong Kong, we may be identified as a Commission-Identified Issuer accordingly. If this happens, Nasdaq may determine to delist our common stock, and there is no certainty that we will be able to continue listing our common stock on other non-U.S. stock exchanges or that an active market for our common stock will immediately develop outside of the U.S. The prohibiting from trading in the United States or delisting of our common stock or the threat of their being delisted could cause the value of our common stock to significantly decline or be worthless, and thus you could lose all or substantial portion of your investment.

Overview

Our company was incorporated in the State of Texas in April 2006 and re-domiciled to become a Nevada corporation in October 2006. As a result of a share exchange transaction we consummated with China Net BVI in June 2009, we are now a holding company, which through certain contractual arrangements with operating companies in the PRC, is engaged in providing Internet advertising, precision marketing, influencer marketing services as well as the related data and technical services to small and medium enterprises (SMEs). The Company also develops blockchain enabled web/mobile applications and provides software solutions, i.e., Software-as-a-Service (“SaaS”) services for clients and engages in IP licensing services.

Through our operating subsidiaries, we primarily operate an integrated marketing and digital solutions platform for brand partners across multiple channels. We leverage our omni-channel advertising capabilities, precision marketing tools, and data-driven management systems to help clients enhance brand awareness, optimize customer acquisition, and maximize marketing effectiveness. We provide a comprehensive suite of services, including content-driven and influencer-based digital marketing, brand-focused social media campaigns, online advertising placement, and value-added data analytics and technical services. Beginning in early 2022, we introduced our SaaS services to customers. The SaaS services were designated in providing one-stop blockchain-powered enterprise management solutions via our BIF platform in forms of unique NFT generations, data record, share and storage modules subscriptions etc.

Basis of presentation, management estimates and critical accounting policies

Our unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and include the accounts of our company, and all of our subsidiaries and VIEs. We prepare financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. In order to understand the significant accounting policies that we adopted for the preparation of our condensed consolidated interim financial statements, readers should refer to the information set forth in Note 4 “Summary of significant accounting policies” to our audited financial statements in our 2024 Form 10-K.

We believe that the assumptions and estimates associated with revenue recognition, estimation of current expected credit loss and fair value measurement of warrant liabilities have the greatest potential impacts on our condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

- Our revenues are recognized when control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. Our revenues from distribution of the right to use search engine marketing service are recognized on a gross basis, because we determine that we are a principal in the transaction who control the services before they are transferred to our customers.
- We maintain an allowance for credit losses for accounts receivable and short-term loans provided to unrelated parties, which are recorded as valuation accounts that are deducted from the amortized cost basis of the related financial assets to present the net amount expected to be collected on the financial assets. The allowance for credit losses reflects our current estimate of credit losses expected to be incurred over the life of the related financial assets. We consider various factors in establishing, monitoring, and adjusting our allowance for credit losses, including the aging and aging trends, customer/other parties’ creditworthiness and specific exposures related to particular customers/other parties. We also monitor other risk factors and forward-looking information, such as country specific risks and economic factors that may affect a customer/other party’s ability to pay in establishing and adjusting its allowance for credit losses. We assess collectability by reviewing the financial assets on a collective basis where similar characteristics exist and on an individual basis when we identify specific customers/other parties with known disputes or collectability issues. Accounts receivable and short-term loans to unrelated parties are written off after all collection efforts have ceased.

A. RESULTS OF OPERATIONS FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period. All amounts are presented in thousands of U.S. dollars.

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2025 (US \$) (Unaudited)	2024 (US \$) (Unaudited)	2025 (US \$) (Unaudited)	2024 (US \$) (Unaudited)
Revenues	3,917	13,190	1,717	3,239
Cost of revenues	3,612	12,735	1,619	3,184
Gross profit	305	455	98	55
Operating expenses				
Sales and marketing expenses	-	208	-	75
General and administrative expenses	1,719	3,462	251	1,972
Total operating expenses	1,719	3,670	251	2,047
Loss from operations	(1,414)	(3,215)	(153)	(1,992)
Other income/(expenses)				
Interest income	144	233	45	66
Other expenses, net	(4)	(30)	1	(2)
Impairment of long-term investments	-	(2)	-	-
Gain on disposal of subsidiaries	-	23	-	23
Total other income	140	224	46	87
Loss before income tax benefit/(expense)	(1,274)	(2,991)	(107)	(1,905)
Income tax benefit/(expense)	(1)	4	(1)	-
Net loss	(1,275)	(2,987)	\$ (108)	\$ (1,905)
Net loss attributable to noncontrolling interests	(1)	7	-	(9)
Net loss attributable to ZW Data Action Technologies Inc.	\$ (1,276)	\$ (2,980)	\$ (108)	\$ (1,914)

Revenues

The following tables set forth a breakdown of our total revenues, disaggregated by type of services for the periods indicated, with inter-company transactions eliminated:

Revenue type	Nine Months Ended September 30,			
	2025		2024	
	(Amounts expressed in thousands of US dollars, except percentages)			
-Internet advertising and related marketing service	\$ 3,073	78.4%	\$ 2,700	20.5%
-Distribution of the right to use search engine marketing service	50	1.3%	9,740	73.8%
Internet advertising and related services	3,123	79.7%	12,440	94.3%
IP Services	179	4.6%	-	-
Blockchain-based SaaS services	615	15.7%	750	5.7%
Total	\$ 3,917	100%	\$ 13,190	100%

Revenue type	Three Months Ended September 30,			
	2025		2024	
	(Amounts expressed in thousands of US dollars, except percentages)			
-Internet advertising and related data service	\$ 1,634	95.2%	\$ 2,700	83.4%
-Distribution of the right to use search engine marketing service	1	0.06%	539	16.6%
Internet advertising and related services	1,635	95.2%	3,239	100%
IP Services	82	4.8%	-	-
Blockchain-based SaaS services	-	-	-	-
Total	\$ 1,717	100%	\$ 3,239	100%

Total Revenues: Our total revenues decreased to US\$3.92 million and US\$1.72 million for the nine and three months ended September 30, 2025, respectively, from US\$13.19 million and US\$3.24 million for the same periods last year, respectively, which was primarily due to winding down of our main stream business segment - distribution of the right to use search engine marketing services.

- Internet advertising revenues for both the nine and three months ended September 30, 2025 was approximately US\$3.07 million and US\$1.63 million respectively, compared with US\$2.7 million and US\$2.7 million for the nine and three months ended September 30, 2024, respectively. The increase primarily resulted from the Company's shift in focus towards higher-margin business segments, including influencer marketing, marketing and branding strategy services, creative development, digital advertising management services and other related digital marketing services for Hong Kong and overseas clients.
- Revenue generated from distribution of the right to use search engine marketing service for the nine and three months ended September 30, 2025 was approximately US\$0.05 million and US\$0.001 million, respectively, compared with approximately US\$9.74 million and US\$0.54 million for the nine and three months ended September 30, 2024, respectively. The decrease was mainly due to winding down of our distribution of the right to use search engine marketing service in the PRC, after experiencing low to negative margins in this business segment over the past several years.

- Revenue generated from IP licensing services for the nine and three months ended September 30, 2025 was approximately US\$0.18 million and US\$0.08 million, respectively, compared with nil for the same periods last year. The increase primarily resulted from the licensing of intellectual property acquired from Rahula.
- For the nine and three months ended September 30, 2025, we generated approximately US\$0.62 million and nil in revenue from our blockchain-based SaaS services, respectively, compared with approximately US\$0.75 million and nil for the nine and three months ended September 30, 2024, respectively.

Cost of revenues

Our cost of revenues consisted of costs directly related to the offering of our Internet advertising, precision marketing and related data and technical services, and software platform amortization cost related to our blockchain-based SaaS service. The following table sets forth our cost of revenues, disaggregated by type of services, by amount and gross profit ratio for the periods indicated, with inter-company transactions eliminated:

	Nine Months Ended September 30,					
	2025			2024		
	(Amounts expressed in thousands of US dollars, except percentages)					
	Revenue	Cost	GP ratio	Revenue	Cost	GP ratio
-Internet advertising and related marketing service	\$ 3,073	\$ 2,881	6.2%	\$ 2,700	\$ 2,430	10%
-Distribution of the right to use search engine marketing service	50	40	20%	9,740	9,674	0.7%
Internet advertising and related services	3,123	2,921	6.5%	12,440	12,104	2.7%
IP Services	179	131	26.8%	-	-	-
Blockchain-based SaaS services	615	560	8.9%	750	631	15.9%
Total	\$ 3,917	\$ 3,612	7.8%	\$ 13,190	\$ 12,735	3.5%

	Three Months Ended September 30,					
	2025			2024		
	(Amounts expressed in thousands of US dollars, except percentages)					
	Revenue	Cost	GP ratio	Revenue	Cost	GP ratio
-Internet advertising and related marketing service	\$ 1,634	\$ 1,558	4.6%	\$ 2,700	\$ 2,430	10%
-Distribution of the right to use search engine marketing service	1	1	-	539	544	-0.9%
Internet advertising and related services	1,635	1,559	4.6%	3,239	2,974	8.2%
IP Services	82	60	26.8%	-	-	-
Blockchain-based SaaS services	-	-	-	-	210	-
Total	\$ 1,717	\$ 1,619	5.7%	\$ 3,239	\$ 3,184	1.7%

Cost of revenues: Our total cost of revenues decreased to US\$3.61 million and US\$1.62 million for the nine and three months ended September 30, 2025, respectively, from US\$12.74 million and US\$3.18 million for the nine and three months ended September 30, 2024, respectively. Our cost of revenues primarily consists of search engine marketing resources purchased from key search engines, influencer agency costs, cost of marketing services, amortization of intellectual property cost, software platform amortization cost related to our blockchain-based SaaS service, costs relating to enhancing our blockchain-based SaaS services and other direct costs associated with providing our services. The decrease in our total cost of revenues for the nine and three months ended September 30, 2025 was primarily due to the reduced costs associated with distribution of the right to use search engine marketing service purchased from key search engines during the periods. This decrease was in line with the decrease in the related revenues as discussed above.

- Costs for internet advertising and marketing service primarily consist of fees paid to service providers who support delivering media planning, creative development, and digital ad management services to our Hong Kong and overseas clients. Our costs also include the cost of operating our influencer marketing services which includes the fees for collaborating with various influencer agencies. For the nine and three months ended September 30, 2025, our total cost of revenues for Internet advertising and marketing service was approximately US\$2.88 million and US\$1.56 million, respectively, compared with approximately US\$2.43 million for the nine and three months ended September 30, 2024. The gross margin rate of our Internet advertising and data service was 6.2% and 4.6% for the nine and three months ended September 30, 2025, respectively, compared with 10% for the nine and three months ended September 30, 2024.
- Costs for distribution of the right to use search engine marketing service was direct search engine resources consumed for the right to use search engine marketing service that we purchased from key search engines and distributed to our customers. We purchased these search engine resources from well-known search engines and/or their delegated agencies in China, for example, Baidu, Qihu 360 and Sohu (Sogou) etc. We purchased the resources in relatively large amounts under our own name at a relatively lower rate compared to the market rates. We charged our clients the actual cost they consumed on search engines for the use of this service and a premium at certain percentage of that actual consumed cost. For the nine and three months ended September 30, 2024, our total cost of revenues for distribution of the right to use search engine marketing service was US\$0.04 million and US\$0.001 million, respectively, compared with US\$9.67 million and US\$0.54 million for the same periods last year, respectively. The decrease in cost of revenues for the nine and three months ended September 30, 2025 was in line with the decrease in revenues from this business category. Gross margin rate of this business category was 20% and nil for the nine and three months ended September 30, 2025, respectively, compared with 0.7% and -0.9% gross margin rate incurred for the same periods last year, respectively.
- Costs for our IP licensing services primarily consist of the amortized cost of the intellectual properties we acquired from Rahula. For the nine and three months ended September 30, 2025, cost for our IP licensing services was approximately US\$0.13 million and 0.06 million compared to nil in the same period last year. Gross margin rate of this business category was 26.8% for both nine and three months ended September 30, 2025.
- For the nine and three months ended September 30, 2025, cost for our blockchain-based SaaS services was approximately US\$0.56 million and nil, respectively, compared with approximately US\$0.63 million and US\$0.21 million for the nine and three months ended September 30, 2024, respectively. Costs for our blockchain-based SaaS services consist of the amortized cost of our self-developed BIF platform and costs relating to enhancing our blockchain-based SaaS services. Gross margin rate of this business category was 8.9% and nil for the nine and three months ended September 30, 2025, respectively, compared with 15.9% and nil for the same periods last year.

Gross profit

As a result of the foregoing, for the nine and three months ended September 30, 2025, we incurred a gross profit of approximately US\$0.31 million and US\$0.1 million, respectively, compared to approximately US\$0.46 million and US\$0.06 million for the nine and three months ended September 30, 2024. Our overall gross margin was 7.8% and 5.7% for the nine and three months ended September 30, 2025, respectively, compared with 3.5% and 1.7% for the same periods last year, respectively. The increase in overall gross margin was primarily due to the increase in revenue of our higher-margin internet advertising and related marketing service business.

Our operating expenses consist of sales and marketing expenses, general and administrative expenses and research and development expenses. The following tables set forth our operating expenses, divided into their major categories by amount and as a percentage of our total revenues for the periods indicated.

	Nine Months Ended September 30,			
	2025		2024	
	(Amounts expressed in thousands of US dollars, except percentages)			
	Amount	% of total revenue	Amount	% of total revenue
Total revenues	\$ 3,917	100%	\$ 13,190	100%
Gross profit/(loss)	305	7.8%	455	3.5%
Sales and marketing expenses	-	-	208	1.6%
General and administrative expenses	1,719	43.9%	3,462	26.2%
Total operating expenses	<u>\$ 1,719</u>	<u>43.9%</u>	<u>\$ 3,670</u>	<u>27.8%</u>

	Three Months Ended September 30,			
	2025		2024	
	(Amounts expressed in thousands of US dollars, except percentages)			
	Amount	% of total revenue	Amount	% of total revenue
Total revenues	\$ 1,717	100%	\$ 3,239	100
Gross profit/(loss)	98	5.7%	55	1.7
Sales and marketing expenses	-	-	75	2.3
General and administrative expenses	251	14.6%	1,972	60.9
Total operating expenses	<u>\$ 251</u>	<u>14.6%</u>	<u>\$ 2,047</u>	<u>63.2</u>

Operating Expenses: Our total operating expenses was approximately US\$1.72 million and US\$0.25 million for the nine and three months ended September 30, 2025, respectively, compared with approximately US\$3.67 million and US\$2.05 million for the nine and three months ended September 30, 2024, respectively.

- Sales and marketing expenses: Sales and marketing expenses was nil for the nine and three months ended September 30, 2025, respectively, compared with approximately US\$0.21 million and US\$0.08 million for the nine and three months ended September 30, 2024, respectively. Our sales and marketing expenses primarily consist of staff salaries and benefits, performance bonuses, travel expenses, communication expenses and other general office expenses of our sales department. Due to certain aspects of our business nature, the fluctuation of our sales and marketing expenses usually does not have a direct linear relationship with the fluctuation of our net revenues.
- General and administrative expenses: General and administrative expenses was US\$1.72 million and US\$0.25 million for the nine and three months ended September 30, 2025, respectively, compared with US\$3.46 million and US\$1.97 million for the nine and three months ended September 30, 2024, respectively. Our general and administrative expenses primarily consist of salaries and benefits of management, accounting, human resources and administrative personnel, office rentals, depreciation of office equipment, allowance for doubtful accounts, professional service fees, maintenance, utilities and other general office expenses of our supporting and administrative departments. For the nine months ended September 30, 2025, the change in our general and administrative expenses was primarily due to the following reasons: (1) the decrease in share-based compensation expenses of approximately US\$1.30 million; (2) the decrease in allowance for expected credit losses of approximately US\$0.09 million; and (3) the decrease in other general administrative expenses of approximately US\$0.45 million, as a result of the cost reduction plan executed by the management. For the three months ended September 30, 2025, the changes in our general and administrative expenses was primarily attributable to the following reasons: (1) the decrease in share-based compensation expenses of approximately US\$1.58 million; (2) the decrease in other general administrative expenses of approximately US\$0.05 million, as a result of the cost reduction plan executed by management; and (3) the decrease in allowance for expected credit losses of approximately US\$0.12 million, respectively.

Loss from operations: As a result of the foregoing, we incurred a loss from operations of approximately US\$1.41 million and US\$3.22 million for the nine months ended September 30, 2025 and 2024, respectively. For the three months ended September 30, 2025 and 2024, we incurred a loss from operations of approximately US\$0.15 million and US\$1.99 million, respectively.

Interest Income: For the nine and three months ended September 30, 2025, interest income recognized were primarily related to the interest we earned from the short-term loans we provided to unrelated parties.

Impairment on long-term investments: For the nine months ended September 30, 2025, we recognized nil in impairment loss on long-term investments. For the nine months ended September 30, 2024, we recognized approximately US\$0.002 million in impairment loss on long-term investments, which was related to our cash investments in one of our unconsolidated investee entities whose business activities had become dormant.

Loss before income tax benefit/(expense): As a result of the foregoing, our loss before income tax benefit was approximately US\$1.27 million and US\$2.99 million for the nine months ended September 30, 2025 and 2024, respectively. For the three months ended September 30, 2025, we incurred an approximately US\$0.11 million loss before income tax expense, compared with an approximately US\$1.91 million loss before income tax expense for the three months ended September 30, 2024.

Income Tax benefit/(expense): For the nine months ended September 30, 2025 and 2024, we recognized approximately US\$0.001 million in income tax expense and US\$0.004 million in income tax benefits. For the three months ended September 30, 2025 and 2024, we recognized approximately US\$0.001 million and nil, respectively, in income tax expenses. These benefits were related to the net operating loss incurred by one of our operating VIEs for each respective period. We anticipate these losses will likely be utilized against future earnings of this entity.

Net loss: As a result of the foregoing, for the nine months ended September 30, 2025 and 2024, we incurred a total net loss of approximately US\$1.28 million and US\$2.99 million, respectively. For the three months ended September 30, 2025, we recognized a net loss of approximately US\$0.11 million, compared with a net loss of approximately US\$1.91 million for the three months ended September 30, 2024.

B. LIQUIDITY AND CAPITAL RESOURCES

Cash Transfer within Our Organization and the Related Restrictions

We are a Nevada holding company with operations primarily conducted in China through our PRC subsidiaries, VIEs and VIEs' subsidiaries. The intercompany flow of funds within our organization is effected through capital contributions and intercompany loans. We do not have written policies regarding intercompany cash transfer within our organization. In accordance with our current internal cash management practices, all intercompany cash transfer within our organization requires prior approval by our financial director and our chief financial officer/or our chief executive officer before execution.

As we conduct our operations primarily in China through our PRC subsidiaries, VIEs and their subsidiaries, and we intend to transfer most of our cash raised from the U.S. stock market to these operating entities to support their operations and expansions, our ability to pay dividends to U.S. investors may depend on receiving distributions from our PRC subsidiaries and settlement of the amounts owed under the VIE agreements from the consolidated VIEs. Any limitation on the ability of our PRC subsidiaries and the consolidated VIEs to make payments to us, or the tax implications of making payments to us, could have a material adverse effect on our ability to pay dividends to our U.S. investors.

The PRC regulations currently permit payment of dividends only out of accumulated profits, as determined in accordance with PRC accounting standards and regulations. Our PRC subsidiaries, the consolidated VIEs and their subsidiaries in China are also required to set aside at least 10% of their respective after-tax profit based on the PRC accounting standards and regulations each year to the statutory surplus reserve, until the balance in the reserve reaches 50% of the registered capital of the respective PRC entities. In accordance with these PRC laws and regulations, our PRC subsidiaries, the consolidated VIEs and their subsidiaries are restricted in their ability to transfer a portion of their net assets to us. As of September 30, 2025 and December 31, 2024, net assets restricted in the aggregate, which include paid-in capital and statutory reserve funds of our PRC subsidiaries, the consolidated VIEs and their subsidiaries that are included in our consolidated net assets, were approximately US\$13.16 million and US\$13.31 million, respectively. Appropriations to the enterprise expansion fund and staff welfare and bonus fund of a foreign-invested PRC entity and appropriation to the discretionary surplus reserve of other PRC entities are at the discretion of the board of directors. To date, none of our PRC subsidiaries, the consolidated VIEs and their subsidiaries appropriated any of these non-mandatory funds and reserves. Furthermore, if these entities incur debt on their own in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments.

Under the PRC Enterprise Income Tax (“EIT”) Law and related regulations, dividends, interests, rent or royalties payable by a foreign-invested enterprise to its immediate holding company outside China are subject to a 10% withholding tax. A lower withholding tax rate will be applied if there is a tax treaty arrangement between mainland China and the jurisdiction of the foreign holding company. Hong Kong has a tax arrangement with China that provides for a 5% withholding tax on dividends subject to certain conditions and requirements, such as the requirements that the Hong Kong enterprise owns at least 25% of the PRC enterprise distributing the dividend at all times within the 12-month period immediately preceding the distribution of dividends and provides that the recipient can demonstrate it is a Hong Kong tax resident and it is the beneficial owner of the dividends. The PRC government adopted regulations in 2018 which stipulate that in determining whether a non-resident enterprise has the status as a beneficial owner, comprehensive analysis shall be conducted based on the factors listed therein and the actual circumstances of the specific case shall be taken into consideration. Specifically, it expressly excludes an agent or a designated payee from being considered as a “beneficial owner”. We own our PRC subsidiaries through China Net HK. China Net HK currently does not hold a Hong Kong tax resident certificate from the Inland Revenue Department of Hong Kong, there is no assurance that the reduced withholding tax rate will be available for us. If China Net HK is not considered to be the “beneficial owner” of the dividends by the Chinese local tax authority, any dividends paid to it by our PRC subsidiaries would be subject to a withholding tax rate of 10%.

There are no restrictions for the consolidated VIEs to settle the amounts owed under the VIE agreements to our WFOE. However, arrangements and transactions among affiliated entities may be subject to audit or challenge by the PRC tax authorities. If at any time the VIE agreements and the related fee structure between the consolidated VIEs and our WFOE is determined to be non-substantive and disallowed by Chinese tax authorities, the consolidated VIEs could, as a matter of last resort, make a non-deductible transfer to our WFOE for the amounts owed under the VIE agreements. This would result in such transfer being non-deductible expenses for the consolidated VIEs but still taxable income for our WFOE. If this happens, it may increase our tax burden and reduce our after-tax income in the PRC, and may materially and adversely affect our ability to make distributions to the holding company. Our management is of the view that the likelihood that this scenario would happen is remote. To date, the VIEs have settled to our WFOE the amount owed under the VIE agreements of RMB15.25 million (approximately US\$2.27 million) in the aggregate.

Our PRC subsidiaries generate all of their revenue in Renminbi, Renminbi 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/make distributions to us. The Chinese government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in availability of foreign currency may then restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to us for us to pay dividends to the U.S. investors. Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and foreign debt. Currently, our PRC subsidiaries may purchase foreign currency for settlement of current account transactions, including payment of dividends to us, without the approval of the State Administration of Foreign Exchange of China (the “SAFE”) by complying with certain procedural requirements. However, the relevant Chinese governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. The Chinese government may continue to strengthen its capital controls, and additional restrictions and substantial vetting processes may be instituted by the SAFE for cross-border transactions falling under both the current account and the capital account. Any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to pay dividends in foreign currencies to holders of our securities. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant Chinese governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our PRC subsidiaries.

To date, none of our subsidiaries has made any distribution of earnings or issued any dividends to their respective shareholder in or outside of China, or to the Nevada holding company, and the Nevada holding company has never declared or paid any cash dividends to U.S. investors.

We do not have any present plan to make any distribution of earnings/issue any dividends directly or indirectly to our Nevada holding company or pay any cash dividends on our common stock in the foreseeable future because we currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Cash Flow Analysis for the Nine Months Ended September 30, 2025 and 2024

Cash and cash equivalents represent cash on hand and deposits held at call with banks. We consider all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. As of September 30, 2025, we had cash and cash equivalents of approximately US\$1.76 million.

Our liquidity needs include (i) net cash used in operating activities that consists of (a) cash required to fund the initial build-out, continued expansion of our network and new services and (b) our working capital needs, which include deposits and advance payments to advertising resources providers, payment of our operating expenses and financing of our accounts receivable; and (ii) net cash used in investing activities that consist of the investment to expand technologies related to our existing and future business activities, investment to enhance the functionality of our current advertising portals for providing advertising, marketing and data services and to secure the safety of our general network, and investment to establish joint ventures with strategic partners for the development of new technologies and services. To date, we have financed our liquidity needs primarily through proceeds we generated from financing activities.

The following table provides detailed information about our net cash flow for the periods indicated:

	Nine Months Ended September 30,	
	2025	2024
	Amounts in thousands of US dollars	
Net cash used in operating activities	\$ (781)	\$ (1,228)
Net cash provided by investing activities	456	645
Net cash provided by financing activities	1,278	876
Effect of foreign currency exchange rate changes	(4)	13
Net increase in cash and cash equivalents	\$ 949	\$ 306

Net cash used in operating activities

For the nine months ended September 30, 2025, our net cash used in operating activities of approximately US\$0.78 million were primarily attributable to:

- (1) net loss excluding approximately US\$0.16 million of non-cash expenses of depreciation and amortizations, approximately US\$0.04 million amortization of operating lease right-of-use assets, approximately US\$0.35 million of share-based compensation expenses, approximately US\$0.69 million allowance for credit losses and approximately US\$0.14 million non-operating income, yielded the non-cash, non-operating items excluded net loss of approximately US\$0.19 million.
- (2) the receipt of cash from operations from changes in operating assets and liabilities such as:
 - accounts payable increased by approximately US\$0.11 million;
 - accounts receivable decreased by approximately US\$0.21 million;
 - other current assets decreased by approximately US\$0.005 million;
 - advances from customers increased by US\$0.07 million; and
 - taxes payable increased by approximately US\$0.02 million.
- (3) offset by the use from operations from changes in operating assets and liabilities such as:
 - prepayment and deposit to suppliers increased by approximately US\$0.55 million;
 - deferred tax liabilities decreased by approximately US\$0.02 million; and
 - Accruals, other current liabilities and operating lease liabilities decreased by approximately US\$0.44 million in the aggregate, due to settlement of these operating liabilities during the period.

For the nine months ended September 30, 2024, our net cash used in operating activities of approximately US\$1.23 million were primarily attributable to:

- (4) net loss excluding approximately US\$0.71 million of non-cash expenses of depreciation and amortizations, approximately US\$0.02 million amortization of operating lease right-of-use assets, approximately US\$1.64 million of share-based compensation expenses, approximately US\$0.02 million of gain on disposal of subsidiaries, approximately US\$0.002 million impairment on long-term investments, approximately US\$0.003 million loss on disposal of fixed assets, approximately US\$0.77 million allowance for credit losses, approximately US\$0.004 million deferred tax benefit and approximately US\$0.23 million non-operating income, yielded the non-cash, non-operating items excluded net loss of approximately US\$0.10 million.

(5) the receipt of cash from operations from changes in operating assets and liabilities such as:

- accounts payable increased by approximately US\$0.30 million; and
- other current liabilities and taxes payable increased by approximately US\$0.39 million.

(6) offset by the use from operations from changes in operating assets and liabilities such as:

- accounts receivable increased by approximately US\$1.43 million;
- prepayment and deposit to suppliers increased by approximately US\$0.02 million;
- advances from customers decreased by approximately US\$0.09 million; and
- accruals and operating lease liabilities decreased by approximately US\$0.02 million in the aggregate, due to settlement of these operating liabilities during the period.

Net cash used in investing activities

For the nine months ended September 30, 2025, (1) we purchased office equipment and leasehold improvements of approximately US\$0.07 million; (2) we received repayment of short-term loans and interest income of approximately US\$1.12 million; and (3) we purchased intellectual property of approximately US\$0.60 million through the acquisition of Rahula. In the aggregate, these transactions resulted in a net cash inflow from investing activities of approximately US\$0.46 million for the nine months ended September 30, 2025.

For the nine months ended September 30, 2024, (1) we purchased office equipment of approximately US\$0.003 million; (2) we made an additional investment of approximately US\$0.002 million to one of our unconsolidated investee entities; (3) we collected US\$0.49 million in short-term loan principal from short-term loans we provided to unrelated parties in previous periods; (4) we received total interest payment of approximately US\$0.41 million, which was attributable to short-term loans we provided to unrelated parties in previous periods; (5) we received approximately US\$0.15 million in proceeds from the disposal of long-term investments; (6) we acquired cash of approximately US\$0.009 million through the acquisition of a 51% equity interest in Beijing Yi En; (7) we recognized deconsolidation of cash during the period of US\$0.006 million; and (8) we made deposits on investment contracts of approximately US\$0.40 million. In the aggregate, these transactions resulted in a net cash inflow from investing activities of approximately US\$0.65 million for the nine months ended September 30, 2024.

Net cash provided by financing activities

For the nine months ended September 30, 2025, we received an advance from investors of approximately US\$1.28 million.

For the nine months ended September 30, 2024, capital contribution from noncontrolling interests was approximately US\$0.07 million and we received advances from investors of approximately US\$0.81 million.

Future Liquidity, Material Cash Requirements and Capital Resources

Our future short-term liquidity needs within 12 months from the date hereof primarily include working capital for influencer marketing and digital marketing services and payments for our operating expenses, which mainly consist of office rentals and employee salary and benefit.

The Company plans to optimize its internet resources cost investment strategy to improve the gross profit margin of its core business and to further strengthen the accounts receivables collection management, and negotiate with major suppliers for more favorable payment terms, all of which will help to substantially increase the cashflows from operations. In addition, as we wind down our search engine marketing distribution service in the PRC, we are seeing an improvement in our gross margins as well as significantly reduced operating expenses that will improve our cash flow and liquidity in the next 12 months. Also, in order to further develop our core business, i.e., our Internet advertising and related marketing service business, broaden and diversify the online marketing channels for customers, reinforce our industry competitive advantage, we are actively seeking to acquire businesses and build teams with AI capabilities and proprietary intellectual properties that enable more accurate marketing solutions and cost efficient content creation. On March 7, 2025, ChinaNet Investment Holding Limited (the "Purchaser"), a British Virgin Islands company and an indirect wholly-owned subsidiary of ZW Data Action Technologies Inc. acquired the 10,000 shares of Rahula Digital Media (HK) Limited, a Hong Kong company (the "Rahula") that Vickie Chan, an individual (the "Seller") owned, pursuant to that certain Share Sale and Purchase Agreement, dated March 3, 2025, entered into by and between the Purchaser and the Seller for a total consideration of US\$0.6 million. Rahula owns 100% equity interest in Shenzhen Shangye Business Consulting Services Co., Ltd., a People's Republic of China company (together as "Rahula Group"). Rahula Group is principally engaged in the development and monetization of intellectual property rights on agent management, marketing data management, targeted marketing and mass marketing systems and technologies.

In addition, for the next 12 months from the date hereof, we anticipate to generate additional cash inflows and/or improve our liquidity through the following: (1) our short-term working capital loans provided to unrelated parties will mature within the next 12 months that we anticipate collecting these loan principals and the related interest income within the next 12 months; (2) if at any time we anticipate insufficiency of our working capital, we can apply for revolving credit facility from commercial banks in the PRC to supplement our short-term liquidity deficit. We have not experienced any difficulties in obtaining such credit facility before, and this could result in fixed obligations and incremental cost of interest; (3) equity financing; (4) we plan to reduce our operating costs through optimizing the personnel structure among different offices and reduce our office leasing spaces, if needed. This may incur incremental costs related to employee layoff compensation and contract termination penalty.

Based on the above discussion, we believe that our current cash and cash equivalents, our anticipated new cash flows from operations and investing and financing activities, and our other liquidity improving measures will ensure we have sufficient cash to meet our obligations as they become due within the next 12 months.

In the long term, beyond the next 12 months, we plan to further broaden the application scenarios of our blockchain-based SaaS services to be offered to the customers, continue expanding our core Internet advertising and marketing business through acquisitions, and develop Internet advertising and marketing channels that target overseas Internet users. As such, we may decide to enhance our liquidity position or increase our cash reserve for future investments through additional equity financing in the U.S. capital market. This would result in further dilution to our shareholders. We cannot assure you that such financing will be available in amounts or on terms acceptable to us, or at all.

C. Off-Balance Sheet Arrangements

None.

D. Disclosure of Contractual Obligations

In August 2022, we obtained a 9.9% equity interest in Hunan Yong Fu Xiang Health Management Co., Ltd (“Yong Fu Xiang”), through subscription of a RMB6.73 million (approximately US\$0.98 million) registered capital of the entity in cash, which amount was committed to be paid up before December 31, 2025.

In June 2023, we obtained a 9.9% equity interest in Wuhan Ju Liang, through subscription of a RMB0.99 million (approximately US\$0.14 million) registered capital of the entity in cash, which amount was committed to be paid up before August 1, 2025.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal accounting and financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the fiscal quarter ended September 30, 2025, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial officer have concluded that during the period covered by this report, the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fiscal quarter of 2025 covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are currently not a party to any legal or administrative proceedings and are not aware of any pending or threatened legal or administrative proceedings against us in all material aspects. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

Item 1A. Risk Factors

This information has been omitted based on the Company's status as a smaller reporting company.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During our fiscal quarter ended September 30, 2025, none of our directors or officers informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as those terms are defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

The exhibits listed on the Exhibit Index below are provided as part of this report.

Exhibit No.	Document Description
31.1	Certification of the Principal Executive Officer pursuant to Rule 13A-14(A)/15D-14(A) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Accounting and Financial Officer pursuant to Rule 13A-14(A)/15D-14(A) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer and of the Principal Accounting and Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
101	The following materials are filed herewith: (i) Inline XBRL Instance, (ii) Inline XBRL Taxonomy Extension Schema, (iii) Inline XBRL Taxonomy Extension Calculation, (iv) XBRL Taxonomy Extension Labels, (v) XBRL Taxonomy Extension Presentation, and (vi) Inline XBRL Taxonomy Extension Definition.
104	Cover Page Interactive Data File – The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

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

ZW DATA ACTION TECHNOLOGIES INC.

Date: November 14, 2025

By: /s/ Handong Cheng

Name: Handong Cheng

Title: Chief Executive Officer and Acting Chief Financial Officer
(Principal Executive Officer and Principal Accounting and Financial Officer)

CERTIFICATION

I, Handong Cheng, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ZW Data Action Technologies 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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2025

/s/ Handong Cheng

Handong Cheng

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Handong Cheng, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ZW Data Action Technologies 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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2025

/s/ Handong Cheng

Handong Cheng

Acting Chief Financial Officer

(Principal Accounting and Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned hereby certifies, in his capacity as an officer of ZW Data Action Technologies Inc. (the "Company"), for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Quarterly Report of the Company on Form 10-Q for the quarter ended September 30, 2025 fully complies with the requirements of Section 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 14, 2025

/s/ Handong Cheng
Handong Cheng
Chief Executive Officer
(Principal Executive Officer)

/s/ Handong Cheng
Handong Cheng
Acting Chief Financial Officer
(Principal Accounting and Financial Officer)