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 June 30, 2023

or

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

For the transition period from ____ to _____

Commission File Number: 001-34647

ZW Data Action Technologies Inc.

(Exact name of registrant as specified in its charter)

Nevada	20-4672080
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Room 1811, Xinghuo Keji Plaza, No. 2 Fufeng Road, Fengtai District, Beijing, China 100070

(Address of principal executive offices) (Zip Code)

+86-10-6084-6616
(Registrant's telephone number, including area code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001	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 ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

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

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

As of August 21, 2023, the registrant had 7,204,506 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 former auditor, the independent registered public accounting firm that issued the audit report in our SEC filings, and our current auditor, 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 former and current auditors are 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 former 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. 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)

	June 30, 2023 (US $) (Unaudited)	December 31, 2022 (US $)
Assets		
Current assets:		
Cash and cash equivalents	$ 2,000	$ 4,391
Accounts receivable, net of allowance for credit loss of $3,715 and $3,760, respectively	1,045	1,745
Prepayment and deposit to suppliers	4,346	4,567
Other current assets, net	3,043	1,610
Total current assets	**10,434**	**12,313**
Long-term investments	1,000	1,596
Operating lease right-of-use assets	1,498	1,761
Property and equipment, net	191	249
Intangible assets, net	2,665	3,264
Long-term deposits and prepayments	65	69
Deferred tax assets, net	393	406
Total Assets	**$ 16,246**	**$ 19,658**
Liabilities and Equity		
Current liabilities:		
Accounts payable *	$ 204	$ 205
Advance from customers *	912	739
Accrued payroll and other accruals *	132	438
Taxes payable *	3,131	3,248
Operating lease liabilities *	255	347
Lease payment liability related to short-term leases *	97	101
Other current liabilities *	223	437
Warrant liabilities	13	185
Total current liabilities	**4,967**	**5,700**

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

	June 30, 2023 (US $) (Unaudited)	December 31, 2022 (US $)
Long-term liabilities:		
Operating lease liabilities-Non current *	1,371	1,535
Long-term borrowing from a related party	121	126
Total Liabilities	**6,459**	**7,361**
Commitments and contingencies		
Equity:		
ZW Data Action Technologies Inc.'s stockholders' equity		
Common stock (US$0.001 par value; authorized 20,000,000 shares; issued and outstanding 7,204,506 shares and 7,174,506 shares at June 30, 2023 and December 31, 2022, respectively)	7	7**
Additional paid-in capital	62,042	62,017**
Statutory reserves	2,598	2,598
Accumulated deficit	(56,262)	(53,525)
Accumulated other comprehensive income	1,402	1,200
Total stockholders' equity	**9,787**	**12,297**
Total Liabilities and Equity	**$ 16,246**	**$ 19,658**

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

**Retrospectively restated for effect of the 1-for-5 reverse stock split effective on January 18, 2023, see Note 4(g).

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)

	Six Months Ended June 30, 2023 (US $) (Unaudited)	Six Months Ended June 30, 2022 (US $) (Unaudited)	Three Months Ended June 30, 2023 (US $) (Unaudited)	Three Months Ended June 30, 2022 (US $) (Unaudited)
Revenues	$ 16,136	$ 14,597	$ 9,820	$ 6,945
Cost of revenues	16,561	14,544	9,931	7,026
Gross (loss)/profit	**(425)**	**53**	**(111)**	**(81)**
Operating expenses				
Sales and marketing expenses	93	147	45	78
General and administrative expenses	2,112	4,046	1,180	2,498
Research and development expenses	18	124	-	56
Total operating expenses	2,223	4,317	1,225	2,632
Loss from operations	**(2,648)**	**(4,264)**	**(1,336)**	**(2,713)**
Other income/(expenses)				
Interest income	151	75	79	29
Other expenses, net	(14)	(28)	(9)	(19)
Impairment on long-term investments	(209)	-	(209)	-
Change in fair value of warrant liabilities	172	1,782	71	987
Total other income/(expenses)	100	1,829	(68)	997
Loss before income tax benefit	**(2,548)**	**(2,435)**	**(1,404)**	**(1,716)**
Income tax benefit	2	4	1	2
Net loss	**$ (2,546)**	**(2,431)**	**$ (1,403)**	**$ (1,714)**
Net loss	(2,546)	$ (2,431)	(1,403)	$ (1,714)
Foreign currency translation gain/(loss)	202	(17)	283	5
Comprehensive loss	**$ (2,344)**	**$ (2,448)**	**$ (1,120)**	**$ (1,709)**
Loss per share				
Loss per common share				
Basic and diluted**	**$ (0.35)**	**$ (0.34)**	**$ (0.19)**	**$ (0.24)**
Weighted average number of common shares outstanding:				
Basic and diluted**	**7,185,114**	**7,097,440**	**7,195,605**	**7,114,726**

**Retrospectively restated for effect of the 1-for-5 reverse stock split effective on January 18, 2023, see Note 4(g).

See notes to unaudited condensed consolidated financial statements

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

	Six Months Ended June 30, 2023 (US $) (Unaudited)	Six Months Ended June 30, 2022 (US $) (Unaudited)
Cash flows from operating activities		
Net loss	$ (2,546)	$ (2,431)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	645	1,108
Amortization of operating lease right-of-use assets	208	134
Share-based compensation expenses	83	84
Provision for allowances for credit losses	455	947
Impairment on long-term investments	209	-
Change in fair value of warrant liabilities	(172)	(1,782)
Disposal of fixed assets	3	-
Deferred taxes	(2)	(4)
Other non-operating income	(150)	(72)
Changes in operating assets and liabilities		
Accounts receivable	588	(290)
Prepayment and deposit to suppliers	86	1,100
Due from related parties	-	60
Other current assets	-	29
Long-term deposits and prepayments	-	(51)
Accounts payable	6	(513)
Advance from customers	208	(402)
Accrued payroll and other accruals	(303)	(220)
Other current liabilities	23	311
Taxes payable	(7)	8
Lease payment liability related to short-term leases	-	(41)
Operating lease liabilities	(196)	(119)
Net cash used in operating activities	**(862)**	**(2,144)**
Cash flows from investing activities		
Investment and advance to ownership investee entities	(43)	-
Proceeds from disposal of long-term investments	433	-
Repayment of short-term loans from ownership investee entities	-	12
Short-term loans to unrelated parties	(2,000)	(2,600)
Repayment of short-term loans and interest income from unrelated parties	148	2,109
Net cash used in investing activities	**(1,462)**	**(479)**

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

	Six Months Ended June 30,	
	2023	**2022**
	(US $) (Unaudited)	**(US $) (Unaudited)**
Cash flows from financing activities		
Net cash provided by/(used in) financing activities	-	-
Effect of exchange rate fluctuation on cash and cash equivalents	(67)	(96)
Net decrease in cash and cash equivalents	**(2,391)**	**(2,719)**
Cash and cash equivalents at beginning of the period	4,391	7,173
Cash and cash equivalents at end of the period	**$ 2,000**	**$ 4,454**
Supplemental disclosure of cash flow information		
Income taxes paid	$ -	$ -
Interest expense paid	$ -	$ -

See notes to unaudited condensed consolidated financial statements

ZW DATA ACTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2023
(In thousands, except for number of shares)

	Common stock		Additional paid-in capital	Statutory reserves	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
	Number of shares	Amount (US $)	(US $)	(US $)	(US $)	(US $)	(US $)
Balance, January 1, 2023	7,174,506**	$ 7**	$ 62,017**	$ 2,598	$ (53,525)	$ 1,200	$ 12,297
Cumulative effect adjustment related to adoption of ASU No. 2016-13, Financial Instruments-Credit losses (Topic 326)	-	-	-	-	(191)	-	(191)
Net loss for the period	-	-	-	-	(1,143)	-	(1,143)
Foreign currency translation adjustment	-	-	-	-	-	(81)	(81)
Balance, March 31, 2023 (unaudited)	**7,174,506**	**$ 7**	**$ 62,017**	**$ 2,598**	**$ (54,859)**	**$ 1,119**	**$ 10,882**
Share-based compensation in exchange for services from employees and directors	30,000	-	25	-	-	-	25
Net loss for the period	-	-	-	-	(1,403)	-	(1,403)
Foreign currency translation adjustment	-	-	-	-	-	283	283
Balance, June 30, 2023 (unaudited)	**7,204,506**	**$ 7**	**$ 62,042**	**$ 2,598**	**$ (56,262)**	**$ 1,402**	**$ 9,787**

**Retrospectively restated for effect of the 1-for-5 reverse stock split effective on January 18, 2023, see Note 4(g).

See notes to unaudited condensed consolidated financial statements

ZW DATA ACTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2022
(In thousands, except for number of shares)

	Common stock**		Additional paid-in capital**	Statutory reserves	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
	Number of shares	Amount (US $)	(US $)	(US $)	(US $)	(US $)	(US $)
Balance, January 1, 2022	7,075,506	$ 7	$ 61,813	$ 2,598	$ (43,734)	$ 1,082	$ 21,766
Share-based compensation in exchange for services from employees and directors	19,000	-	16	-	-	-	16
Net loss for the period	-	-	-	-	(717)	-	(717)
Foreign currency translation adjustment	-	-	-	-	-	(22)	(22)
Balance, March 31, 2022 (unaudited)	**7,094,506**	**$ 7**	**$ 61,829**	**$ 2,598**	**$ (44,451)**	**$ 1,060**	**$ 21,043**
Share-based compensation in exchange for services from nonemployees	80,000	-	140	-	-	-	140
Share-based compensation in exchange for services from employees and directors	-	-	16	-	-	-	16
Net loss for the period	-	-	-	-	(1,714)	-	(1,714)
Foreign currency translation adjustment	-	-	-	-	-	5	5
Balance, June 30, 2022 (unaudited)	**7,174,506**	**$ 7**	**$ 61,985**	**$ 2,598**	**$ (46,165)**	**$ 1,065**	**$ 19,490**

**Retrospectively restated for effect of the 1-for-5 reverse stock split effective on January 18, 2023, see Note 4(g).

See notes to unaudited condensed consolidated financial statements

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"), is engaged in providing Internet advertising, precision marketing, e-commerce online to offline (O2O) advertising and marketing services as well as the related data and technical services to small and medium enterprises (SMEs) in the PRC. The Company also develops blockchain enabled web/mobile applications and provides software solutions, i.e., Software-as-a-Service ("SaaS") services for clients.

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 June 30, 2023 and December 31, 2022, respectively:

	June 30, 2023 US$('000) (Unaudited)	December 31, 2022 US$('000)
Assets		
Current assets:		
Cash and cash equivalents	$ 1,157	$ 578
Accounts receivable, net	1,045	1,745
Prepayment and deposit to suppliers	1,926	2,020
Other current assets, net	2	2
Total current assets	**4,130**	**4,345**
Long-term investments	-	165
Operating lease right-of-use assets	47	145
Property and equipment, net	89	113
Deferred tax assets, net	393	406
Total Assets	**$ 4,659**	**$ 5,174**
Liabilities		
Current liabilities:		
Accounts payable	$ 204	$ 205
Advance from customers	887	515
Accrued payroll and other accruals	34	63
Taxes payable	2,501	2,602
Operating lease liabilities	47	146
Lease payment liability related to short-term leases	97	101
Other current liabilities	110	320
Total current liabilities	**3,880**	**3,952**
Total Liabilities	**$ 3,880**	**$ 3,952**

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 six and three months ended June 30, 2023 and 2022, respectively:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)
Revenues	$ 15,941	$ 13,862	$ 9,793	$ 6,664
Cost of revenues	(16,048)	(14,544)	(9,721)	(7,026)
Total operating expenses	(743)	(848)	(373)	(589)
Net loss	(1,067)	(1,553)	(517)	(968)

3. Liquidity and Capital Resources

For the six months ended June 30, 2023, the Company incurred a loss from operations of US$2.65 million and a net operating cash outflow of US$0.86 million. As of June 30, 2023, the Company had cash and cash equivalents of US$2.0 million and working capital of US$5.47 million.

Along with the end of the COVID-19 pandemic in May 2023 and the gradual recovery of economy since then, the Company's business performance started to improve from the second fiscal quarter of 2023. For the three months ended June 30, 2023, the Company narrowed its gross loss incurred and generated positive net cash flow from its core business, i.e., Internet advertising and related data service business. Although there remain uncertainties as to the future development and impact of the COVID-19 pandemic, the Company anticipates a continuous slow recovery of performance and improvement of cash flow status of its core business in the next 12 months.

In order to improve operation performance, from early 2022, the Company started to introduce its SaaS services to customers. The Company's SaaS services are provided based on technologies of its self-developed Blockchain Integrated Framework ("BIF") platform. The subscriptions of the Company's BIF platform enable its clients to utilize the BIF platform as an enterprise management software to record, share and storage operating data on-chain, and/or to generate unique designed Non-fungible Token ("NFTs") for their IPs and certificates. Although the unexpected long-time quarantine and business shutdown measures for COVID-19 epidemic control incurred throughout fiscal 2022 adversely affected the Company's promotion of the SaaS services, and revenues from the new SaaS services business and its profitability have not met the Company's expectations, the Company still expects the new SaaS services business to bring in positive cash flow and help to improve liquidity, as these services are provided based on technologies of the Company's self-developed software platform, which does not need any further material cash outflow to other third-party service providers.

In July 2023, the Company incorporated a new majority-owned subsidiary and commenced to expand its business into the livestream operation industry. The Company anticipates to generate operating profits and additional cash inflow from providing online-content production, distribution and promotion, and live streamer training and management services in the next 12 months.

In addition, to further improve its liquidity, the Company plans to negotiate with its major suppliers for more favorable payment terms, reduce its operating costs through optimizing the personnel structure among different offices, and reduce its office leasing spaces, if needed. The Company also intends to obtain revolving credit facilities to supplement its short-term working capital, as needed, from the commercial banks in the PRC. The Company has not experienced any difficulties in obtaining such credit facility before.

Based on the above discussion, the Company believes that its current cash and cash equivalents, its anticipated new cash flows from operations and from investing and financing activities, and other liquidity improving measures will ensure the Company has sufficient cash to meet its obligations as they become due with the next 12 months from the date hereof.

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").

The unaudited condensed consolidated interim financial information as of June 30, 2023 and for the six and three months ended June 30, 2023 and 2022 have been prepared pursuant to the rules and regulations of the 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, 2022, previously filed with the SEC (the "2022 Form 10-K") on April 17, 2023.

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 June 30, 2023, its condensed consolidated results of operations for the six and three months ended June 30, 2023 and 2022, and its condensed consolidated cash flows for the six months ended June 30, 2023 and 2022, 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 RMB into US$ for the purposes of preparing the condensed consolidated financial statements are as follows:

	June 30, 2023	December 31, 2022
Balance sheet items, except for equity accounts	7.2258	6.9646

	Six Months Ended June 30,	
	2023	2022
Items in the statements of operations and comprehensive loss	6.9291	6.4835

	Three Months Ended June 30,	
	2023	2022
Items in the statements of operations and comprehensive loss	6.9806	6.6144

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

e) Current expected credit losses

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". The amendments in this ASU require the measurement and recognition of expected credit losses for financial assets held at amortized cost, which replace the existing incurred loss impairment model with an expected loss methodology. The Company, as a SEC smaller reporting company, has adopted the amendments in this ASU from January 1, 2023, using a modified retrospective transition method and did not restate the related accounts in the comparable period. Instead, the Company recognized a cumulative-effect adjustment to increase the opening balance of its accumulated deficit on January 1, 2023 by US$0.19 million, of which US$0.04 million was related to the cumulative-effect adjustment to allowance for credit loss of accounts receivable, and the remaining US$0.15 million was related to the cumulative-effect adjustment to allowance for credit loss of other current assets, which primarily consisted of short-term loans the Company provided to unrelated parties.

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 six and three months ended June 30, 2023 and 2022, respectively:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)
Credit loss for accounts receivable:				
Balance as of beginning of the period	3,760	2,236	4,070	2,245
Cumulative-effect adjustment upon adoption of ASU No. 2016-13, Financial Instruments-Credit losses (Topic 326)	36	-	-	-
Provision for/(reverse of) credit loss during the period	40	330	(183)	330
Written off during the period	-	-	-	-
Exchange translation adjustments	(121)	(112)	(172)	(121)
Balance as of end of the period	3,715	2,454	3,715	2,454

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)
Credit loss for other current assets:				
Balance as of beginning of the period	617	-	850	-
Cumulative-effect adjustment upon adoption of ASU No. 2016-13, Financial Instruments-Credit losses (Topic 326)	155	-	-	-
Provision for credit loss during the period	415	617	337	617
Written off during the period	-	-	-	-
Exchange translation adjustments	-	-	-	-
Balance as of end of the period	1,187	617	1,187	617

f) Fair value measurement

Liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as of June 30, 2023 and December 31, 2022 are as follows:

		Fair value measurement at reporting date using		
	As of June 30, 2023	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	US$('000) (Unaudited)	US$('000)	US$('000)	US$('000)
Warrant liabilities (Note 14)	13	-	-	13

		Fair value measurement at reporting date using		
	As of December 31, 2022	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	US$('000)	US$('000)	US$('000)	US$('000)
Warrant liabilities (Note 14)	185	-	-	185

g) Reverse stock split

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-5 (the "Reverse Stock Split"). The Reverse Stock Split became effective on January 18, 2023 (the "Effective Date"). As a result, the number of shares of the Company's authorized Common Stock was reduced from 100,000,000 shares to 20,000,000 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 five 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, 35,827,677 shares of Common Stock that were issued and outstanding at January 18, 2023 was reduced to 7,174,506 shares of Common Stock (taking into account the rounding of fractional shares).

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

h) Revenue recognition

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

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
	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	15,804	12,369	9,643	5,775
--online advertising placements	282	2,228	152	1,170
Blockchain-based SaaS services	50	-	25	-
Total revenues	**$ 16,136**	**$ 14,597**	**$ 9,820**	**$ 6,945**

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)
Revenue recognized over time	16,086	14,597	9,795	6,945
Revenue recognized at a point in time	50	-	25	-
Total revenues	**$ 16,136**	**$ 14,597**	**$ 9,820**	**$ 6,945**

Contract balances

The table below summarized the movement of the Company's contract liabilities for the six months ended June 30, 2023:

	Contract liabilities
	US$('000)
Balance as of January 1, 2023	739
Exchange translation adjustment	(21)
Revenue recognized from beginning contract liability balances	(615)
Advances received from customers related to unsatisfied performance obligations	809
Balance as of June 30, 2023 (Unaudited)	**912**

Advance from customers related to unsatisfied performance obligations are generally refundable. Refund of advance from customers were insignificant for the six and three months ended June 30, 2023 and 2022.

For the six and three months ended June 30, 2023 and 2022, there were no revenue recognized from performance obligations that were satisfied in prior periods.

i) Lease

As of June 30, 2023, operating lease right-of-use assets and total operating lease liabilities recognized was approximately US$1.50 million and US$1.63 million, respectively.

Maturity of operating lease liabilities

	Operating leases US$('000) (Unaudited)
Six months ending December 31, 2023	193
Year ending December 31,	
-2024	301
-2025	317
-2026	332
-2027	349
-2028	366
-thereafter	62
Total undiscounted lease payments	1,920
Less: imputed interest	(294)
Total operating lease liabilities as of June 30, 2023	**1,626**
Including:	
Operating lease liabilities	255
Operating lease liabilities-Non current	1,371
	1,626

Operating lease expenses:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)
Long-term operating lease contracts	261	193	128	103
Short-term operating lease contracts	14	29	8	14
Total	**$ 275**	**$ 222**	**$ 136**	**$ 117**

Supplemental information related to operating leases:

	Six Months Ended June 30,	
	2023	2022
	US$('000) (Unaudited)	US$('000) (Unaudited)
Operating cash flows used for operating leases (US$'000)	264	178
Right-of-use assets obtained in exchange for new lease liabilities (US$'000)	-	259
Weighted-average remaining lease term (years)	5.51	6.06
Weighted-average discount rate	6%	6%

5. Accounts receivable, net

	June 30, 2023	December 31, 2022
	US$('000) (Unaudited)	US$('000)
Accounts receivable	4,760	5,505
Allowance for credit loss	(3,715)	(3,760)
Accounts receivable, net	**1,045**	**1,745**

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 six months ended June 30, 2023, the Company provided approximately US$0.04 million credit losses for its accounts receivable. For the three months ended June 30, 2023, the Company reversed approximately US$0.18 million credit losses due to collection from two major clients in June 2023. For the six and three months ended June 30, 2022, the Company provided approximately US$0.33 million credit losses for its accounts receivable.

6. Prepayments and deposit to suppliers

	June 30, 2023 US$('000) (Unaudited)	December 31, 2022 US$('000)
Deposits to advertising resources providers	851	1,077
Prepayments to advertising resources providers	3,072	3,036
Other deposits and prepayments	423	454
	4,346	**4,567**

7. Other current assets, net

	June 30, 2023 US$('000) (Unaudited)	December 31, 2022 US$('000)
Short-term loans to unrelated parties	4,097	2,197
Short-term loans interest receivables	125	22
Staff advances for business operations	8	8
Total other current assets	4,230	2,227
Allowance for credit loss	(1,187)	(617)
Other current assets, net	**3,043**	**1,610**

As of June 30, 2023, 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.

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 US0.06 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 January 11, 2023, the Company provided a short-term 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. As a result, the principal of this loan and the related loan interest is required to be repaid in lump sum at maturity on January 18, 2024.

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 six and three months ended June 30, 2023, the Company provided US$0.42 million and US$0.34 million credit losses on short-term loans provided to unrelated parties, respectively.

As of June 30, 2023, 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 allowanced 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, 2023	1,596
Exchange translation adjustment	3
Cash investment during the period	43
Disposed during the period	(433)
Impairment losses provided during the period	(209)
Balance as of June 30, 2023 (Unaudited)	**1,000**

As of June 30, 2023, except for long-term investments which were fully impaired, the Company beneficially owned a 15.38%, 9.9%, 9% and 9.9% equity interest in each New Business Holdings Limited (“New Business”), Guangdong Yong Fu Xiang Health Management Co., Ltd (“Yong Fu Xiang”); Guangzhou Yuan Qi Man Man Technology Co., Ltd. (“Yuan Qi Man Man") and Wuhan Ju Liang Media Co., Ltd. (“Wuhan Ju Liang”), respectively.

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, 2052. Wuhan Ju Liang is primarily engaged in providing livestream operation services.

In June 2023, the Company disposed its 10% equity interest in Guang Dong WeFriend Co., Ltd. (“Guangdong WeFriend”) to an unrelated party, and received RMB3.0 million (approximately US$0.43 million) proceeds from this transaction.

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 six and three months ended June 30, 2023, the Company provided approximately US$0.21 million full impairment loss against its long-term investments to Business Opportunity Chain (Guangzhou) Technology Co., Ltd. ("Business Opportunity Chain Guangzhou").

9. Property and equipment, net

	June 30, 2023 US$('000) (Unaudited)	December 31, 2022 US$('000)
Vehicles	758	855
Office equipment	833	865
Electronic devices	555	575
Leasehold improvement	178	185
Property and equipment, cost	**2,324**	**2,480**
Less: accumulated depreciation	(2,133)	(2,231)
Property and equipment, net	**191**	**249**

Depreciation expenses was approximately US$0.05 million and US$0.03 million for the six and three months ended June 30, 2023, respectively. Depreciation expenses was approximately US$0.05 million and US$0.02 million for the six and three months ended June 30, 2022, respectively.

10. Intangible assets, net

	As of June 30, 2023 (Unaudited)			
Items	**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	1,285	(891)	(394)	-
Licensed products use right	1,200	(436)	-	764
--5 years life:				
Internet Ad tracking system	1,160	(521)	-	639
Live streaming technology	1,500	(625)	(875)	-
--3 years life:				
Blockchain integrated framework	4,038	(1,766)	(1,010)	1,262
Bo!News application	332	(111)	(221)	-
Other computer software	108	(108)	-	-
Total	**$ 9,623**	**$ (4,458)**	**$ (2,500)**	**$ 2,665**

Items	As of December 31, 2022 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	1,333	(924)	(409)	-
Licensed products use right	1,201	(374)	-	827
--5 years life:				
Internet Ad tracking system	1,160	(405)	-	755
Live streaming technology	1,500	(625)	(875)	-
--3 years life:				
Blockchain integrated framework	4,038	(1,346)	(1,010)	1,682
Bo!News application	345	(115)	(230)	-
Other computer software	113	(113)	-	-
Total	**$ 9,690**	**$ (3,902)**	**$ (2,524)**	**$ 3,264**

Amortization expenses for the six months ended June 30, 2023 and 2022 were approximately US$0.60 million and US$1.06 million, respectively. Amortization expenses for the three months ended June 30, 2023 and 2022 were approximately US$0.30 million and US$0.53 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 3.19 years as of June 30, 2023, and assuming no further subsequent impairment of the underlying intangible assets, the estimated future amortization expenses is approximately US$0.60 million for the year ending December 31, 2023, approximately US$1.19 million for the year ending December 31, 2024, approximately US$0.35 million for the year ending December 31, 2025, approximately US$0.18 million for the year ending December 31, 2026, and approximately US$0.12 million each year for the years ending December 31, 2027 and 2028.

11. Accrued payroll and other accruals

	June 30, 2023	December 31, 2022
	US$('000) (Unaudited)	US$('000)
Accrued payroll and staff welfare	79	101
Accrued operating expenses	53	337
	132	**438**

12. Taxation

As of June 30, 2023 and December 31, 2022, taxes payable consists of:

	June 30, 2023	December 31, 2022
	US$('000) (Unaudited)	US$('000)
Turnover tax and surcharge payable	1,235	1,288
Enterprise income tax payable	1,896	1,960
Total taxes payable	**3,131**	**3,248**

For the six and three months ended June 30, 2023 and 2022, the Company's income tax benefit consisted of:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)
Current	-	-	-	-
Deferred	2	4	1	2
Income tax benefit	**2**	**4**	**1**	**2**

The Company's deferred tax assets as of June 30, 2023 and December 31, 2022 were as follows:

	June 30, 2023	December 31, 2022
	US$('000) (Unaudited)	US$('000)
Tax effect of net operating losses carried forward	11,822	11,537
Operating lease cost	32	30
Impairment on long-term investments	189	144
Impairment on intangible assets	366	368
Bad debts provision	1,100	1,018
Valuation allowance	(13,116)	(12,691)
Deferred tax assets, net	**393**	**406**

The U.S. holding company has incurred aggregate net operating losses (NOLs) of approximately US$32.2 million and US$31.8 million at June 30, 2023 and December 31, 2022, 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$16.6 million and US$15.4 million as of June 30, 2023 and December 31, 2022, 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.

The Company recorded approximately US$13.1 million and US$12.7 million valuation allowance as of June 30, 2023 and December 31, 2022, 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 six and three months ended June 30, 2023, the Company recorded approximately US$0.56 million and US$0.26 million deferred tax valuation allowance, respectively. For the six and three months ended June 30, 2022, the Company recorded approximately US$0.82 million and US$0.50 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 party 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. Warrant liabilities

The Company issued common stock purchase warrants to certain institutional investors and the Company's placement agent in the registered direct offerings consummated in February 2021 (the "2021 Financing") and December 2020 (the "2020 Financing"). Warrants issued to the investors and placement agent in the 2021 Financing were referred to as the "2021 Investors Warrants" and the "2021 Placement Agent Warrants", respectively. Warrants issued to the investors and placement agent in the 2020 Financing were referred to as the "2020 Investors Warrants" and the "2020 Placement Agent Warrants", respectively. The warrants issued in the 2021 Financing and the 2020 Financing were referred to collectively as the "Warrants". The Company accounted for the Warrants as derivative liabilities and measured at fair value with changes in fair value be recorded in earnings in each reporting period.

Warrants issued in the 2021 Financing:

	2021 Investors Warrants			2021 Placement Agent Warrants		
	June 30, 2023	March 31, 2023	December 31, 2022	June 30, 2023	March 31, 2023	December 31, 2022
Stock price	$ 1.27	$ 1.70	$ 0.46#	$ 1.27	$ 1.70	$ 0.46#
Years to maturity	1.13	1.38	1.63	1.13	1.38	1.63
Risk-free interest rate	5.34%	4.44%	4.625%	5.34%	4.44%	4.625%
Dividend yield	-	-	-	-	-	-
Expected volatility	112%	113%	99.74%	112%	113%	99.74%
Exercise Price	$ 17.95	$ 17.95	$ 3.59#	$ 22.4375	$ 22.4375	$ 4.4875#
Fair value of the warrant	$ 0.0232	$ 0.0937	$ 0.0329	$ 0.0157	$ 0.0727	$ 0.0256
Warrant Liabilities (US$'000)	$ 12	$ 49	$ 86	$ 1	$ 5	$ 9

	2021 Investors Warrants			2021 Placement Agent Warrants		
	June 30, 2022	March 31, 2022	December 31, 2021	June 30, 2022	March 31, 2022	December 31, 2021
Stock price#	$ 0.34	$ 0.73	$ 1.00	$ 0.34	$ 0.73	$ 1.00
Years to maturity	2.13	2.38	2.63	2.13	2.38	2.63
Risk-free interest rate	2.97%	2.35%	0.87%	2.97%	2.35%	0.87%
Dividend yield	-	-	-	-	-	-
Expected volatility	124%	121%	115%	124%	121%	115%
Exercise Price#	$ 3.59	$ 3.59	$ 3.59	$ 4.4875	$ 4.4875	$ 4.4875
Fair value of the warrant	$ 0.064	$ 0.24	$ 0.37	$ 0.061	$ 0.23	$ 0.36
Warrant Liabilities (US$'000)	$ 167	$ 626	$ 964	$ 22	$ 84	$ 132

Warrants issued in the 2020 Financing:

	2020 Investors Warrants			2020 Placement Agent Warrants		
	June 30, 2023	March 31, 2023	December 31, 2022	June 30, 2023	March 31, 2023	December 31, 2022
Stock price	$ 1.27	$ 1.70	$ 0.46#	$ 1.27	$ 1.70	$ 0.46#
Years to maturity	0.45	0.70	0.95	0.45	0.70	0.95
Risk-free interest rate	5.46%	4.80%	4.716%	5.46%	4.80%	4.716%
Dividend yield	-	-	-	-	-	-
Expected volatility	94%	125%	115.61%	94%	125%	115.61%
Exercise Price	$ 10.15	$ 10.15	$ 2.03#	$ 10.15	$ 10.15	$ 2.03#
Fair value of the warrant	$ 0.000	$ 0.0731	$ 0.0439	$ 0.000	$ 0.0760	$ 0.0456
Warrant Liabilities (US$'000)	$ 0	$ 25	$ 76	$ 0	$ 5	$ 14

	2020 Investors Warrants			2020 Placement Agent Warrants		
	June 30, 2022	March 31, 2022	December 31, 2021	June 30, 2022	March 31, 2022	December 31, 2021
Stock price#	$ 0.34	$ 0.73	$ 1.00	$ 0.34	$ 0.73	$ 1.00
Years to maturity	1.45	1.70	1.95	1.45	1.70	1.95
Risk-free interest rate	2.79%	2.23%	0.72%	2.79%	2.23%	0.72%
Dividend yield	-	-	-	-	-	-
Expected volatility	107%	127%	128%	107%	127%	128%
Exercise Price#	$ 2.03	$ 2.03	$ 2.03	$ 2.03	$ 2.03	$ 2.03
Fair value of the warrant	$ 0.033	$ 0.26	$ 0.46	$ 0.036	$ 0.28	$ 0.49
Warrant Liabilities (US$'000)	$ 57	$ 449	$ 795	$ 11	$ 85	$ 148

 # To reflect the actual inputs used for the determination of fair value of the Warrants, the stock prices and exercise prices presented were not retrospectively restated for effect of the 1-for-5 reverse stock split effective on January 18, 2023, see Note 4(g).

Changes in fair value of warrant liabilities

Six and Three Months Ended June 30, 2023 (Unaudited)

	As of June 30, 2023	As of March 31, 2023	As of December 31, 2022	Change in Fair Value (gain)/loss	
				Six Months Ended June 30, 2023	Three Months Ended June 30, 2023
	(US$'000)	(US$'000)	(US$'000)	(US$'000)	(US$'000)
Warrants issued in the 2021 Financing:					
--Investor Warrants	12	49	86	(74)	(37)
--Placement Agent Warrants	1	5	9	(8)	(4)
Warrants issued in the 2020 Financing:					
--Investor Warrants	-	25	76	(76)	(25)
--Placement Agent Warrants	-	5	14	(14)	(5)
Warrant Liabilities	**13**	**84**	**185**	**(172)**	**(71)**

Six and Three Months Ended June 30, 2022 (Unaudited)

	As of June 30, 2022	As of March 31, 2022	As of December 31, 2021	Change in Fair Value (gain)/loss	
				Six Months Ended June 30, 2022	Three Months Ended June 30, 2022
	(US$'000)	(US$'000)	(US$'000)	(US$'000)	(US$'000)
Warrants issued in the 2021 Financing:					
--Investor Warrants	167	626	964	(797)	(459)
--Placement Agent Warrants	22	84	132	(110)	(62)
Warrants issued in the 2020 Financing:					

--Investor Warrants	57	449	795	(738)	(392)
--Placement Agent Warrants	11	85	148	(137)	(74)
Warrant Liabilities	**257**	**1,244**	**2,039**	**(1,782)**	**(987)**

Warrants issued and outstanding as of June 30, 2023 and their movements during the six months then ended are as follows:

	Warrant Outstanding				Warrant Exercisable			
	Number of underlying shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price		Number of underlying shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	
Balance, January 1, 2023	1,000,343	1.36	$	15.11	1,001,343	1.36	$	15.11
Granted/Vested	-				-			
Exercised	-				-			
Balance, June 30, 2023 (Unaudited)	1,000,343	0.86	$	15.11	1,000,343	0.86	$	15.11

15. 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 June 30, 2023 and December 31, 2022, net assets restricted in the aggregate, that are included in the Company's consolidated net assets, were approximately US$13.58 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 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.

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.

16. 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$0.08 million and US$0.12 million for the six months ended June 30, 2023 and 2022, respectively. The total amounts for such employee benefits were approximately US$0.04 million and US$0.06 million for the three months ended June 30, 2023 and 2022, respectively.

17. 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 June 30, 2022, 37% of the Company's cash and cash equivalents were held by major financial institutions located in the United States of America, the remaining 63% was held by financial institutions located in the PRC. 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.

Concentration of customers

The following tables summarized the information about the Company's concentration of customers for the six and three months ended June 30, 2023 and 2022, respectively:

	Customer A	Customer B	Customer C	Customer D	Customer E	Customer F
Six Months Ended June 30, 2023						
Revenues, customer concentration risk	*	*	*	*	*	12%
Three Months Ended June 30, 2023						
Revenues, customer concentration risk	*	*	*	*	*	14%
Six Months Ended June 30, 2022						
Revenues, customer concentration risk	*	*	*	*	*	*
Three Months Ended June 30, 2022						
Revenues, customer concentration risk	*	*	*	*	*	11%
As of June 30, 2023						
Accounts receivable, customer concentration risk	11%	34%	12%	24%	15%	-
As of December 31, 2022						
Accounts receivable, customer concentration risk	16%	33%	24%	16%	*	-

* 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 six and three months ended June 30, 2023 and 2022, respectively:

	Supplier A	Supplier B	Supplier C	Supplier D
Six Months Ended June 30, 2023				
Cost of revenues, supplier concentration risk	74%	13%	*	-
Three Months Ended June 30, 2023				
Cost of revenues, supplier concentration risk	71%	22%	*	-
Six Months Ended June 30, 2022				
Cost of revenues, supplier concentration risk	*	-	35%	47%
Three Months Ended June 30, 2022				
Cost of revenues, supplier concentration risk	*	-	*	74%

* Less than 10%.

- No transaction incurred for the reporting period.

18. Commitments and contingencies

In August 2022, the Company obtained a 9.9% equity interest in Yong Fu Xiang, through subscription of a RMB6.73 million (approximately US$0.93 million) registered capital of the entity in cash, which amount was committed to be paid up before December 31, 2065.

In September 2022, the Company obtained a 9% equity interest in Yuan Qi Man Man, through subscription of a RMB0.09 million (approximately US$0.01 million) registered capital of the entity in cash, which amount was committed to be paid up before December 31, 2040.

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, 2052.

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.

19. 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.

Six Months Ended June 30, 2023 (Unaudited)

	Internet Ad and related service	Ecommerce O2O Ad and marketing services	Blockchain technology	Corporate	Inter-segment and reconciling item	Total
	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)
Revenues	16,086	-	50	-	-	16,136
Cost of revenues	16,141	-	420	-	-	16,561
Total operating expenses	683	9	-	1,531(1)	-	2,223
Depreciation and amortization expense included in cost of revenues and total operating expenses	184	-	420	41	-	645
Operating loss	(738)	(9)	(370)	(1,531)	-	(2,648)
Change in fair value of warrant liabilities	-	-	-	172	-	172
Net loss	(750)	(5)	(371)	(1,420)	-	(2,546)
Total assets-June 30, 2023	9,755	143	1,262	37,483	(32,397)	16,246
Total assets-December 31, 2022	10,385	156	1,682	39,136	(31,701)	19,658

(1) Including approximately US$0.08 million share-based compensation expenses.

Three Months Ended June 30, 2023 (Unaudited)

	Internet Ad and related service	Ecommerce O2O Ad and marketing services	Blockchain technology	Corporate	Inter-segment and reconciling item	Total
	US$ (‘000)	US$ (‘000)	US$ (‘000)	US$ (‘000)	US$ (‘000)	US$ (‘000)
Revenues	9,795	-	25	-	-	9,820
Cost of revenues	9,721	-	210	-	-	9,931
Total operating expenses	334	5	-	886(1)	-	1,225
Depreciation and amortization expense included in cost of revenues and total operating expenses	93	-	210	20	-	323
Operating loss	(260)	(5)	(185)	(886)	-	(1,336)
Change in fair value of warrant liabilities	-	-	-	71	-	71
Net loss	(268)	(4)	(185)	(946)	-	(1,403)

(1) Including approximately US$0.05 million share-based compensation expenses.

Six Months Ended June 30, 2022 (Unaudited)

	Internet Ad and related service	Ecommerce O2O Ad and marketing services	Blockchain technology	Corporate	Inter-segment and reconciling item	Total
	US$ (‘000)	US$ (‘000)	US$ (‘000)	US$ (‘000)	US$ (‘000)	US$ (‘000)
Revenues	14,597	-	-	-	-	14,597
Cost of revenues	14,544	-	-	-	-	14,544
Total operating expenses	889	737	735	1,956(1)	-	4,317
Depreciation and amortization expense included in total operating expenses	179	150	735	44	-	1,108
Operating loss	(836)	(737)	(735)	(1,956)	-	(4,264)
Change in fair value of warrant liabilities	-	-	-	1,782	-	1,782
Net loss	(867)	(736)	(735)	(93)	-	(2,431)

(1) Including approximately US$0.08 million share-based compensation expenses.

Three Months Ended June 30, 2022 (Unaudited)

	Internet Ad and related service	Ecommerce O2O Ad and marketing services	Blockchain technology	Corporate	Inter-segment and reconciling item	Total
	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)
Revenues	6,945	-	-	-	-	6,945
Cost of revenues	7,026	-	-	-	-	7,026
Total operating expenses	601	408	367	1,256(1)	-	2,632
Depreciation and amortization expense included in total operating expenses	90	75	367	22	-	554
Operating loss	(682)	(408)	(367)	(1,256)	-	(2,713)
Change in fair value of warrant liabilities	-	-	-	987	-	987
Net loss	(700)	(408)	(367)	(239)	-	(1,714)

(1) Including approximately US$0.03 million share-based compensation expenses.

20. 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):

	Six Months Ended June 30, 2023 (Unaudited)	Six Months Ended June 30, 2022 (Unaudited)	Three Months Ended June 30, 2023 (Unaudited)	Three Months Ended June 30, 2022 (Unaudited)
Net loss attributable to ZW Data Action Technologies Inc. (numerator for basic and diluted loss per share)	$ (2,546)	$ (2,431)	$ (1,403)	$ (1,714)
Weighted average number of common shares outstanding -Basic and diluted	**7,185,114**	**7,097,440**	**7,195,605**	**7,114,726**
Loss per share-Basic and diluted	$ (0.35)	$ (0.34)	$ (0.19)	$ (0.24)

For the six and three months ended June 30, 2023 and 2022, the diluted loss per share calculation did not include any outstanding warrants to purchase the Company's common stock, because they were out-of-the-money and their effect was anti-dilutive.

21. Share-based compensation expenses

In April 2023, under its 2020 Omnibus Securities and Incentive Plan, the Company granted and issued 0.03 million fully-vested shares of the Company's restricted common stock to one of its independent directors in exchange for his service to the Company for the year ending December 31, 2023. These shares were valued at US$1.65 per share, the closing bid price of the Company's common stock on the grant date. Total compensation expenses amortized for the six and three months ended June 30, 2023 was approximately US$0.02 million.

In June 2022, the Company granted and issued 0.08 million fully-vested and non-forfeitable shares of the Company restricted common stock to a management consulting and advisory service provider in exchange for its service for a 12-month period until May 2023. The Company valued these shares at US$1.75 per share, 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$0.14 million as a prepayment asset in prepayment and deposit to suppliers account upon the grant and issuance of these shares. Total compensation expenses amortized for the six and three months ended June 30, 2023 was approximately US$0.06 million and US$0.02 million, respectively. Total compensation expenses amortized for the six and three months ended June 30, 2022 was approximately US$0.01 million.

In March 2022, under its 2020 Omnibus Securities and Incentive Plan, the Company granted and issued an aggregate of 0.019 million fully-vested shares of the Company's restricted common stock to two of the Company's executive officers in exchange for their services to the Company for the year ended December 31, 2022. These shares were valued at the closing bid price of the Company's common stock on the respective date of grant. Total compensation expenses amortized for the six and three months ended June 30, 2022 was approximately US$0.03 million and US$0.02 million, respectively.

For the six months ended June 30, 2022, the Company also amortized an approximately US$0.04 million compensation expense in the aggregate, which was related to fully-vested and nonforfeitable restricted common stock granted and issued to one of its service providers in March 2020.

The table below summarized share-based compensation expenses recorded for the six and three months ended June 30, 2023 and 2022, respectively:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)	US$('000) (Unaudited)
Sales and marketing expenses	-	-	-	-
General and administrative expenses	83	84	48	28
Research and development expenses	-	-	-	-
Total	**83**	**84**	**48**	**28**

The aggregate unrecognized share-based compensation expenses as of June 30, 2023 was approximately US$0.025 million, which will be recognized for the year ending December 31, 2023.

22. Subsequent events

In July 2023, the Company incorporated a new majority-owned subsidiary, ChinaNet Yun Chuang (Guangzhou) Media Technology Co., Ltd. (“ChinaNet Yun Chuang"), with an unrelated party. The registered capital of ChinaNet Yun Chuang is RMB2.0 million (approximately US$0.28 million) and the Company beneficially owns 51% equity interest in ChinaNet Yun Chuang. ChinaNet Yun Chuang is primarily engaged in providing livestream operating services with e-commerce. As of the date hereof, ChinaNet Yun Chuang is in its start-up period.

In March 2020, the spread of a novel coronavirus (“COVID-19”) resulted in the World Health Organization (the “WHO”) declaring the outbreak of COVID-19 as a global pandemic. The Company’s principal business activity is to provide advertising and marketing services to small and medium enterprises in the PRC, which is particularly sensitive to changes in general economic conditions. The pandemic of COVID-19 in the PRC had caused and may continue to cause decreases in or delays in advertising spending, and had negatively impacted and may continue to negatively impact the Company’s short-term ability to grow revenues. Although the COVID-19 outbreak had been largely under control within China with most of the travel restrictions and quarantine requirements lifted accordingly, and the WHO declared that COVID-19 is no longer a global health emergency on May 5, 2023, there remains uncertainty as to the future impact of the pandemic. The Company will continue to assess its financial impacts for the future periods. There can be no assurance that this assessment will enable the Company to avoid part or all of any impact from the spread of COVID-19 or its consequences, including downturns in business sentiment generally or in the Company’s sector in particular.

Except for the above mentioned matters, there is no other material event 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, 2022. 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 former auditor, the independent registered public accounting firm that issued the audit report in our SEC filings, and our current auditor, 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 former and current auditors are 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 former 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. 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, blockchain-based SaaS services, and ecommerce O2O advertising and marketing services and the related data and technical services to SMEs in the PRC.

Through our PRC operating subsidiaries and VIEs, we primarily operate a one-stop services for our clients on our Omni-channel advertising, precision marketing and data analysis management system. We offer a variety channels of advertising and marketing services through this system, which primarily include distribution of the right to use search engine marketing services we purchased from key search engines, provision of online advertising placements services on our web portals, provision of ecommerce O2O advertising and marketing services as well as provision of other related value-added data and technical services to maximize market exposure and effectiveness for our clients. From early 2022, we started to introduce 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 included in our 2022 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.

- We determined that the warrants we issued in various financing activities should be accounted for as derivative liabilities and measured at fair value with changes in fair value be recorded in earnings in each reporting period. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value of our warrant liabilities was determined based on significant unobservable inputs, such as volatility of our stock price, risk free interest rate.

A. RESULTS OF OPERATIONS FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2023 AND 2022

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.

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
	(US $) (Unaudited)	(US $) (Unaudited)	(US $) (Unaudited)	(US $) (Unaudited)
Revenues	$ 16,136	$ 14,597	$ 9,820	$ 6,945
Cost of revenues	16,561	14,544	9,931	7,026
Gross (loss)/profit	**(425)**	**53**	**(111)**	**(81)**
Operating expenses				
Sales and marketing expenses	93	147	45	78
General and administrative expenses	2,112	4,046	1,180	2,498
Research and development expenses	18	124	-	56
Total operating expenses	2,223	4,317	1,225	2,632
Loss from operations	**(2,648)**	**(4,264)**	**(1,336)**	**(2,713)**
Other income/(expenses)				
Interest income	151	75	79	29
Other expense, net	(14)	(28)	(9)	(19)
Impairment on long-term investments	(209)	-	(209)	-
Change in fair value of warrant liabilities	172	1,782	71	987
Total other income/(expenses)	100	1,829	(68)	997
Loss before income tax benefit	**(2,548)**	**(2,435)**	**(1,404)**	**(1,716)**
Income tax benefit	2	4	1	2
Net loss	**$ (2,546)**	**$ (2,431)**	**$ (1,403)**	**$ (1,714)**

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	Six Months Ended June 30, 2023 (Amounts expressed in thousands of US dollars, except percentages)		2022	
-Internet advertising and related data service	$ 282	1.8%	$ 2,228	15.3%
-Distribution of the right to use search engine marketing service	15,804	97.9%	12,369	84.7%
Internet advertising and related services	16,086	99.7%	14,597	100%
Blockchain-based SaaS services	50	0.3%	-	-
Total	$ 16,136	100%	$ 14,597	100%

Revenue type	Three Months Ended June 30, 2023 (Amounts expressed in thousands of US dollars, except percentages)		2022	
-Internet advertising and related data service	$ 152	1.5%	$ 1,170	16.8%
-Distribution of the right to use search engine marketing service	9,643	98.2%	5,775	83.2%
Internet advertising and related services	9,795	99.7%	6,945	100%
Blockchain-based SaaS services	25	0.3%	-	-
Total	$ 9,820	100%	$ 6,945	100%

Total Revenues: Our total revenues increased to US$16.14 million and US$9.82 million for the six and three months ended June 30, 2023, respectively, from US$14.60 million and US$6.95 million for the same periods last year, respectively, which was primarily due to the increase in our main stream service revenues, i.e. distribution of the right to use search engine marketing services.

- Internet advertising revenues for the six and three months ended June 30, 2023 was approximately US$0.28 million and US$0.15 million, respectively, compared with US$2.23 million and US$1.17 million for the six and three months ended June 30, 2022, respectively. The decrease in service revenues from this business category was primarily attributable to the following reasons: (1) the past three-year COVID-19 pandemic in China caused significant economic uncertainties and further resulted in the small and medium business owners' pandemic fears, which in return materially and adversely affected the advertising investment budgets of our clients. As a result, our clients continued tightening their investment budget on advertising and marketing activities through traditional ad portals, and turned to focus more on singular ad, cheaper advertising channel, e.g., search engine marketing, which brings customers with direct internet traffic flow through clicks, thus a portion of our clients' ad consumption shifts from using our ad portal placement services to using our search engine marketing service; and (2) the advent of the App era with increased short-form video applications based platform advertising channels, such as: Douyin, Kuaishou etc., which have unique competitive advantages, also led advertisement diversion and revenue reduction on our traditional ad portals to a certain extent. We will continue monitoring our client's needs of this business category and adjust our operational strategy accordingly.

- Revenue generated from distribution of the right to use search engine marketing service for the six and three months ended June 30, 2023 was approximately US$15.80 million and US$9.64 million, respectively, compared with approximately US$12.37 million and US$5.78 million for the six and three months ended June 30, 2022, respectively. The increase in service revenues from this business category was primarily attributable to the following reasons: (1) as a result of repeated severe COVID-19 cases rebound in many provinces and first tier cities in China, such as Shanghai, Shenzhen etc., in the second fiscal quarter of 2022, there were regional large-scale quarantine and business shutdown, which materially adversely affected the business performance of our main stream service revenues for the six and three months ended June 30, 2022. While in fiscal 2023, along with the end of the peak infection wave of COVID-19 in the first fiscal quarter, business activities and performance is gradually getting back to normal in the second fiscal quarter; and (2) as discussed above, as a result of the pandemic fear and economic downturn after the pandemic, a portion of our clients' ad consumption shifts from using our ad portal placement services to using our search engine marketing service, which brings them with direct internet traffic flow through clicks.

- For the six and three months ended June 30, 2023, we generated an approximately US$0.05 million and US$0.025 million Blockchain-based platform subscription fee revenues, 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:

	Six Months Ended June 30,					
	2023			**2022**		
	(Amounts expressed in thousands of US dollars, except percentages)					
	Revenue	Cost	GP ratio	Revenue	Cost	GP ratio
-Internet advertising and related data service	$ 282	$ 234	17%	$ 2,228	$ 2,038	9%
-Distribution of the right to use search engine marketing service	15,804	15,907	-0.7%	12,369	12,506	-1%
Internet advertising and related services	16,086	16,141	-0.3%	14,597	14,544	0.4%
Blockchain-based SaaS services	50	420	-740%	-	-	-
Total	$ 16,136	$ 16,561	-2.6%	$ 14,597	$ 14,544	0.4%

	Three Months Ended June 30,					
	2023			**2022**		
	(Amounts expressed in thousands of US dollars, except percentages)					
	Revenue	Cost	GP ratio	Revenue	Cost	GP ratio
-Internet advertising and related data service	$ 152	$ 131	14%	$ 1,170	$ 1,067	9%
-Distribution of the right to use search engine marketing service	9,643	9,590	0.5%	5,775	5,959	-3%
Internet advertising and related services	9,795	9,721	0.8%	6,945	7,026	-1%
Blockchain-based SaaS services	25	210	-740%	-	-	-
Total	$ 9,820	$ 9,931	-1%	$ 6,945	$ 7,026	-1%

Cost of revenues: our total cost of revenues increased to US$16.56 million and US$9.93 million for the six and three months ended June 30, 2023, respectively, from US$14.54 million and US$7.03 million for the six and three months ended June 30, 2022, respectively. Our cost of revenues primarily consists of search engine marketing resources purchased from key search engines, amortization of software platform development cost and other direct costs associated with providing our services. The increase in our total cost of revenues for the six and three months ended June 30, 2023 was primarily due to the increase in costs associated with distribution of the right to use search engine marketing service we purchased from key search engines during the periods, which was in line with the increase in the related revenues as discussed above.

- Costs for Internet advertising and data service primarily consist of cost of internet traffic flow and technical services we purchased from other portals and technical suppliers for obtaining effective sales lead generation to promote business opportunity advertisements placed on our own ad portals. For the six and three months ended June 30, 2023, our total cost of revenues for Internet advertising and data service was approximately US$0.23 million and US$0.13 million, respectively, compared with approximately US$2.04 million and US$1.07 million for the six and three months ended June 30, 2022, respectively. The gross margin rate of our Internet advertising and data service was 17% and 14% for the six and three months ended June 30, 2023, respectively, compared with 9% for both the six and three months ended June 30, 2022. Due to continuous decline in service revenues from this business category, we scaled down our investments for internet traffic flow on our ad portals, and, as a result, we anticipate an increase in gross margin rate of this business category in fiscal 2023, compared with that in fiscal 2022.

- Costs for distribution of the right to use search engine marketing service was direct search engine resource 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 resource 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 six and three months ended June 30, 2023, our total cost of revenues for distribution of the right to use search engine marketing service increased to US$15.91 million and US$9.59 million, respectively, compared with US$12.51 million and US$5.96 million for the same periods last year, respectively. Gross margin rate of this business category improved to -0.7% and 0.5% for the six and three months ended June 30, 2023, respectively, compared with -1% and -3% for the six and three months ended June 30, 2022.

- For the six months and three months ended June 30, 2023, cost for our Blockchain-based SaaS services was approximately US$0.42 million and US$0.21 million, respectively, which represented the amortized cost of our self-developed BIF platform.

Gross (loss)/profit

As a result of the foregoing, we incurred a gross loss of approximately US$0.43 million and US$0.11 million for the six and three months ended June 30, 2023, respectively, compared with a gross profit of approximately US$0.05 million and a gross loss of approximately US$0.08 million incurred for the six and three months ended June 30, 2022, respectively. Our overall gross margin was -2.6% and -1% for the six and three months ended June 30, 2023, respectively, compared with 0.4% and -1% for the same periods last year, respectively. For the six and three months ended June 30, 2023, the gross margin rate of our main stream of service revenues, i.e. distribution of the right to use search engine marketing services, improved to -0.7% and 0.5%, respectively, compared with the -1% and -3% gross margin rate for the same periods last year, respectively.

Operating Expenses

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.

	Six Months Ended June 30,			
	2023		2022	
	(Amounts expressed in thousands of US dollars, except percentages)			
	Amount	% of total revenue	Amount	% of total revenue
Total revenues	$ 16,136	100%	$ 14,597	100%
Gross (loss)/profit	(425)	-2.6%	53	0.4%
Sales and marketing expenses	93	1%	147	1%
General and administrative expenses	2,112	13%	4,046	28%
Research and development expenses	18	-	124	1%
Total operating expenses	$ 2,223	14%	$ 4,317	30%

	Three Months Ended June 30,			
	2023		2022	
	(Amounts expressed in thousands of US dollars, except percentages)			
	Amount	% of total revenue	Amount	% of total revenue
Total revenues	$ 9,820	100%	$ 6,945	100%
Gross loss	(111)	-1%	(81)	-1%
Sales and marketing expenses	45	-	78	1%
General and administrative expenses	1,180	12%	2,498	36%
Research and development expenses	-	-	56	1%
Total operating expenses	$ 1,225	12%	$ 2,632	38%

Operating Expenses: Our total operating expenses was approximately US$2.22 million and US$1.23 million for the six and three months ended June 30, 2023, respectively, compared with approximately US$4.32 million and US$2.63 million for the six and three months ended June 30, 2022, respectively.

- Sales and marketing expenses: Sales and marketing expenses was US$0.09 million and US$0.05 million for the six and three months ended June 30, 2023, respectively, compared with approximately US$0.15 million and US$0.08 million for the six and three months ended June 30, 2022, respectively. Our sales and marketing expenses primarily consist of advertising expenses for brand development that we pay to different media outlets for the promotion and marketing of our advertising web portals and our services, staff salaries and benefits, performance bonuses, travel expenses, communication expenses and other general office expenses of our sales department. For the six and three months ended June 30, 2023, the decrease in our sales and marketing expenses was primarily due to the gradual downsize of the sales team in our Hubei office during the periods, as part of management's cost reduction plan in fiscal 2023.

- General and administrative expenses: General and administrative expenses was US$2.11 million and US$1.18 million for the six and three months ended June 30, 2023, respectively, compared with US$4.05 million and US$2.50 million for the six and three months ended June 30, 2022, 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 credit loss, professional service fees, maintenance, utilities and other general office expenses of our supporting and administrative departments. For the six months ended June 30, 2023, the changes in our general and administrative expenses was primarily due to the following reasons: (1) the decrease in allowance for expected credit losses of approximately US$0.49 million; (2) the decrease in amortization of administrative assets of approximately US$0.89 million, primarily due to impairment loss recognized against intangible assets by the end of fiscal 2022; and (3) the decrease in other administrative expenses of approximately US$0.55 million, as a result of the cost reduction plan executed by management. For the three months ended June 30, 2023, the changes in our general and administrative expenses was primarily due to the following reasons: (1) the decrease in allowance for expected credit losses of approximately US$0.79 million; (2) the decrease in amortization of administrative assets of approximately US$0.44 million, primarily due to impairment loss recognized against intangible assets by the end of fiscal 2022; and (3) the decrease in other administrative expenses of approximately US$0.09 million, as a result of the cost reduction plan executed by management.

Loss from operations: As a result of the foregoing, we incurred a loss from operations of approximately US$2.65 million and US$4.26 million for the six months ended June 30, 2023 and 2022, respectively. For the three months ended June 30, 2023 and 2022, we incurred a loss from operations of approximately US$1.34 million and US$2.71 million, respectively.

Interest income: For the six and three months ended June 30, 2023 and 2022, 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 six and three months ended June 30, 2023, we recognized an approximately US$0.21 million 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.

Change in fair value of warrant liabilities: We issued warrants in various of our financing activities, which we determined that should be accounted for as derivative liabilities, as the warrants are dominated in a currency (U.S. dollar) other than our functional currency (Renminbi or Yuan). As a result, a gain of change in fair value of these warrant liabilities of approximately US$0.17 million and US$0.07 million was recorded for the six and three months ended June 30, 2023, respectively, compared with a gain of change in fair value of these warrant liabilities of approximately US$1.78 million and US$0.99 million recorded for the six and three months ended June 30, 2022, respectively.

Loss before income tax benefit: As a result of the foregoing, our loss before income tax benefit was approximately US$2.55 million and US$2.44 million for the six months ended June 30, 2023 and 2022, respectively. Our loss before income tax benefit was approximately US$1.40 million and US$1.72 million for the three months ended June 30, 2023 and 2022, respectively.

Income Tax benefit: For the six and three months ended June 30, 2023 and 2022, income tax benefits recognized were in relation to the net operating loss incurred by one of our operating VIEs for the respective period, which we consider likely to be utilized with respect to future earnings of this entity.

Net loss: As a result of the foregoing, for the six months ended June 30, 2023 and 2022, we incurred a total net loss of approximately US$2.55 million and US$2.43 million, respectively. For the three months ended June 30, 2023 and 2022, we incurred a total net loss of approximately US$1.40 million and US$1.71 million, respectively.

B. LIQUIDITY AND CAPITAL RESOURCES

<u>Cash Transfer within Our Organization and the Related Restrictions</u>

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 June 30, 2023 and December 31, 2022, net assets restricted in the aggregate, were approximately US$13.58 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 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". We own our PRC subsidiaries through CNET Online Technology Co. Limited ("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.

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 currently do not have any 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 Six Months Ended June 30, 2023 and 2022

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 June 30, 2023, we had cash and cash equivalents of approximately US$2.0 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 search engine resources and other 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 need primarily through proceeds we generated from financing activities.

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

	Six Months Ended June 30,	
	2023	2022
	Amounts in thousands of US dollars	
Net cash used in operating activities	$ (862)	$ (2,144)
Net cash used in investing activities	(1,462)	(479)
Net cash provided by/(used in) financing activities	-	-
Effect of foreign currency exchange rate changes	(67)	(96)
Net decrease in cash and cash equivalents	**$ (2,391)**	**$ (2,719)**

Net cash used in operating activities

For the six months ended June 30, 2023, our net cash used in operating activities of approximately US$0.86 million were primarily attributable to:

(1) net loss excluding approximately US$0.65 million of non-cash expenses of depreciation and amortizations; approximately US$0.21 million of amortization of operating lease right-of-use assets; approximately US$0.08 million of share-based compensation; approximately US$0.46 million of provision for allowance for credit losses; approximately US$0.003 million loss in disposal of fixed assets; approximately US$0.21 million of impairment on long-term investments; approximately US$0.17 million of gain from change in fair value of warrant liabilities; approximately US$0.002 million of deferred tax benefit; and approximately US$0.15 million of other non-operating income, yielded the non-cash and non-operating items excluded net loss of approximately US$1.27 million.

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

- accounts receivable decreased by approximately US$0.59 million, primarily due to collection from two major clients during the period;

- advance from customers increased by approximately US$0.21 million;

- prepayment and deposit to suppliers decreased by approximately US$0.09 million, primarily due to refund of deposit from a major Internet Ad resource supplier during the period; and

- accounts payables and other current liabilities increased by approximately US$0.03 million in the aggregate.

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

- accruals, taxes payable and operating lease liabilities decreased by approximately US$0.51 million in the aggregate, primarily due to settlement of these liabilities during the period.

For the six months ended June 30, 2022, our net cash used in operating activities of approximately US$2.14 million were primarily attributable to:

(1) net loss excluding approximately US$1.11 million of non-cash expenses of depreciation and amortizations; approximately US$0.13 million amortization of operating lease right-of-use assets, approximately US$0.95 million allowance for credit losses, approximately US$0.08 million share-based compensation; approximately US$1.78 million gain from change in fair value of warrant liabilities, approximately US$0.004 million deferred tax benefit, and approximately US$0.07 million non-operating income, yielded the non-cash items excluded net loss of approximately US$2.02 million.

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

- prepayment and deposit to suppliers decreased by approximately US$1.10 million, primarily due to utilization of the prepayment made to suppliers as of December 31, 2021 through Ad resource and other services received from suppliers during the first half of fiscal 2022;

- due from related parties in relation to advertising services provided to related parties decreased by approximately US$0.06 million;

- other current liabilities and taxes payable increased by approximately US$0.32 million in the aggregate; and

- other current assets decreased by approximately US$0.03 million.

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

- accounts receivable increased by approximately $0.29 million;

- long-term deposit increased by approximately US$0.05 million, which amount was paid for a new office space lease contract entered into during the period, and this amount was not expected to be refunded within one year of June 30, 2022;

- accounts payable decreased by approximately US$0.51 million;

- advance from customers decreased by approximately US$0.40 million, primarily due to recognizing revenues from opening contract liabilities during the period; and

- accruals, operating lease liabilities and short-term lease payment payables decreased by approximately US$0.38 million in the aggregate, due to settlement of these operating liabilities during the period.

Net cash used in investing activities

For the six months ended June 30, 2023, (1) we provided to an unrelated party a short-term loan of US$2.0 million. 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, we extended the term of this loan for a six-month period to January 18, 2024; (2) we collected an US$0.10 million short-term loan, which was provided to another unrelated party in April 2022; (3) we received a total interest income of approximately US$0.05 million, which was attributable to short-term loans we provided to unrelated parties in previous periods; (4) we made an additional investment of approximately US$0.04 million to one of our unconsolidated investee entities; and (5) we received an approximately US$0.43 million proceeds from the disposal of our equity interest in another unconsolidated investee entity to an unrelated party. In the aggregate, these transactions resulted in a net cash outflow from investing activities of approximately US$1.46 million for the six months ended June 30, 2023.

For the six months ended June 30, 2022, (1) we provided short-term loans of US$2.60 million in the aggregate to two unrelated parties; (2) we received an approximately US$2.05 million repayment of short-term loan principals in the aggregate and US$0.06 million loan interest income from unrelated parties, respectively; and (3) we also received an approximately US$0.01 million short-term loan repayment from one of our unconsolidated investees. In the aggregate, these transactions result in a net cash outflow from investing activities of approximately US$0.48 million for the six months ended June 30, 2022.

Net cash provided by/(used in) financing activities

For the six months ended June 30, 2023 and 2022, no cash was provided by or used in financing activities.

Future Liquidity, Material Cash Requirements and Capital Resources

Our future short-term liquidity needs within 12 months from the date hereof primarily include deposits and advance payments required for the purchase of search engine marketing resources and other online marketing resources to be distributed to our customers and payments for our operating expenses, which mainly consist of office rentals and employee salary and benefit.

In addition, in order to further develop our core business, i.e., our Internet advertising and related data service business, broaden and diversify the online marketing channels for customers, reinforce our industry competitive advantage and secure our client base, we are actively seeking target companies with complementary online marketing resources for acquisition and/or joint ventures cooperation. To date, we have not entered into any binding agreements with any potential target. It is not yet certain when the potential acquisition and/or cooperation will be consummated and what form(s) of consideration will be transferred by us. If this transaction were to be consummated, it will materially decrease our liquidity in the short run when the cash consideration, if any, is transferred. However, upon consummation of the acquisition, operating profits and new cash inflow may be generated from the acquired subsidiary, which may also help to improve the overall gross margin and cash flow status of our core business through the expected synergies of combining operations of the new acquired subsidiary and our own. Except this, we do not have other material non-operational cash requirements within 12 months from the date hereof.

Along with the end of the COVID-19 pandemic in May 2023 and the gradual recovery of economy since then, our business performance started to improve from the second fiscal quarter of 2023. For the three months ended June 30, 2023, we narrowed our gross loss incurred and generated positive net cash flow from our core business. Although there remain uncertainties as to the future development and impact of the COVID-19 pandemic, we anticipate a continuous slow recovery of performance and improvement of cash flow status of our core business in the next 12 months.

In order to improve operation performance, from early 2022, we started to introduce our SaaS services to our customers. The SaaS services were designated to provide one-stop blockchain-powered enterprise management solutions via our Blockchain Integrated Framework (“BIF”) platform in forms of unique NFT generations, data record, share and storage modules subscriptions etc. However, the unexpected long-time quarantine and business shutdown measures for COVID-19 epidemic control incurred throughout fiscal 2022 adversely affected our promotion of the SaaS services to our customers. To adapt to the economic change and alleviate the impact of COVID-19 epidemic control measures, we modified our short-term tactics of SaaS services into a more SMEs-friendly way, for example, we introduced a more flexible payment method of pay per generation of NFT. Although revenues from the SaaS services business and its profitability have not met our expectations, we expect the SaaS business to bring us positive cash flow and help to improve our liquidity, as these services are provided based on technologies of our self-developed software platform, which does not need any further material cash outflow to other third-party service providers.

In July 2023, we incorporated a new majority-owned subsidiary and commenced to expand our business into the livestream operation industry. We anticipate to generate operating profits and additional cash inflow from providing online-content production, distribution and promotion, and live streamer training and management services in the next 12 months.

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 current outstanding 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) in consideration of the long-term cooperation history and good track records with our major suppliers, we plan to negotiate with our suppliers for more favorable payment terms; and (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 Guangdong 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, 2065.

In September 2022, we obtained a 9% equity interest in Guangzhou Yuan Qi Man Man Technology Co., Ltd. (“Yuan Qi Man Man"), through subscription of a RMB0.09 million (approximately US$0.01million) registered capital of the entity in cash, which amount was committed to be paid up before December 31, 2040.

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, 2052.

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 June 30, 2023, 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 2023 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

None.

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: August 21, 2023

/s/ Handong Cheng

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

Exhibit 31.1

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.

August 21, 2023

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

Exhibit 31.2

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.

August 21, 2023

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

Exhibit 32.1

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

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 June 30, 2023 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.

August 21, 2023

/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)